QUEEN’S WALK INVESTMENT LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

Contents

Chairman's Statement

The Company's fiscal year both began and ended against a backdrop of challenging economic conditions and great market uncertainty. In the interim Queen's Walk Investment Limited (QWIL) has been consistent in pursuing its stated strategy of improved financial stability.

The combination of the Company's efforts and government action have resulted in better than expected cash flows and overall asset performance in this financial year ended 31 March 2010. Fiscal and monetary stimulus packages in late 2008 averted systemic contagion in the banking system and supported economic growth, which in turn has protected the value of QWIL's assets. The Company continues to work with lenders to repurchase entire portfolios, and to compensate QWIL for poor quality loans.

QWIL recorded net profit of €2.3 million or €0.09 per share for the financial year ended 31 March 2010, compared with a net loss of €59.9 million or €2.13 per share for the financial year ended 31 March 2009. The Company's net asset value (NAV) at the end of this financial year was €3.73 per share, down from €3.96 per share as at 31 March 2009.

In the 2010 financial year, the Company reported gross cash flows of €26.3 million. For the quarter ended 31 March 2010, the Company has again declared a quarterly dividend of €0.08 per share, and has paid a total of €0.32 per share in the year ended 31 March 2010, representing a yield of approximately 17% based on the closing share price as at 1 June 2010.

Since its IPO in December 2005, the Company has paid or declared dividends of €2.45 per share. The Directors remain committed to recommending payment of quarterly dividends that can be sustained by the Company's income generating potential.

The Company recorded interest income of €16.1 million or €0.60 per share for the financial year ended 31 March 2010, compared to €21.7 million or €0.81 per share the previous year. Interest income fell largely because of a reduction of the Company's investments, to €91.6 million as at 31 March 2010 from €108.3 million as at 31 March 2009. This reduction reflects both amortisation of assets and fair value write-downs.

Achieving Strategic Objectives

The Company's overriding objectives during the 2009-2010 financial year have been to increase its financial robustness, improve asset quality and lay the foundations for growth. The Company has achieved significant milestones with respect to all these objectives.

On 6 April 2010, the Company fully repaid its loan facility which had stood at €29.5 million on 31 March 2009. The final repayment was nine months ahead of schedule and results in an ungeared balance sheet.

Over the past year the Company has also increased its notional exposure to ABS ("Asset Backed Securities") bonds to €29.9 million as at 31 March 2010 from €19.7 million as at 31 March 2009. The ABS bond portfolio now accounts for approximately 15.3% of the Company's investment portfolio. It includes 24 bonds at a cost value of €14.1 million and a nominal value of €29.9 million. This portfolio allows the Company to improve the credit rating of the overall portfolio whilst still achieving attractive returns.

QWIL has started to realise profits on certain ABS bond investments, thanks in part to the strong recovery of asset prices from their lows of late 2008 and early 2009. The Company sold €3.4 million of AAA residential mortgage backed securities (RMBS) bonds, delivering an investment return of 28.2%.

The Company successfully made loan portfolios sales that were accretive to NAV. The Magellan 2 European mortgage portfolio was sold in the fourth quarter, and subsequent to the year end the Company sold the Gate 06-1 SME loan portfolio.

Overall, the Company's investment portfolio comprises four asset classes. The largest is the European mortgage loan portfolio accounting for 45.0% of the investment portfolio. The SME loan portfolio accounts for 30.3% of the investment portfolio, the ABS bond accounts for 15.3% of the investment portfolio and the UK mortgage portfolio accounts for 9.5% of the investment portfolio.

Chairman's Statement (continued)

Achieving Strategic Objectives (continued)
The European mortgage loan portfolio, comprising loans made to borrowers in Portugal and Italy, generated €9.7 million of cash flow for financial year, compared with €13.3 million the previous year. The cash flows in the year were ahead of the Company's forecasted cash flows of €7.4 million.

The SME loan portfolio, which contains exposure to German, Spanish, Dutch and US borrowers, performed in line with or better than expectations. It generated €7.4 million of cash flow, down from €14.3 million in the previous financial year. The fall in cash flows was a result of one of the SME investments holding cash back until maturity.

Outlook
The full repayment of debt ahead of schedule marks an important milestone for the Company. It allows QWIL to intensify its focus on growth, by investing more available cash in under-valued investment grade bonds.

In coming quarters, QWIL intends to grow its ABS portfolio and sell assets in legacy portfolios in order to improve its overall risk-reward profile. The Company plans to use cash freed up from debt repayment to intensify its strategy of selectively purchasing mis-priced bonds in the ABS markets, especially in the mezzanine segment of the market. Last year the Company focused its investment in AAA-rated bonds, however they no longer offer an attractive return at the current prices. Therefore QWIL is switching its attention to RMBS and commercial mortgage backed securities (CMBS) mezzanine bonds which offer strong relative value. However cash-flow payments are lower in the short term because they repay no principal until related senior bonds are repaid.

Expected market volatility over the coming months will create an opportunity to purchase undervalued investment grade bonds. The Company will only invest in bonds whose price is considered depressed due to technical and liquidity issues.

The Company remains vigilant in monitoring the progress of its Portuguese assets in light of high fiscal deficits in Southern Europe. QWIL believes that high credit spreads should have no direct impact on its mortgage portfolios because most mortgage loans are indexed to short-term Euribor rates. The key risk to asset value remains an increase in unemployment and consequent mortgage defaults as a result of government austerity measures.

The Company will continue to work with mortgage originators to refinance existing portfolios and, where applicable, seek remedies for breaches of representation and warranties made by the mortgage originators.

The SME portfolio has performed satisfactorily over the past year. Default rates have been volatile but average default rates have remained within our forecasts. Our cash flow forecasts and valuations assume a further weakening in the performance of the SME portfolios.

We look forward to maintaining a dialogue with our investors as we take advantage of current market opportunities and rebuild NAV.

Annual General Meeting
The Company's Annual General Meeting will be held at the registered offices of the Company on 9 September 2010. The notice of the Annual General Meeting and a form of proxy will accompany the annual report to be distributed to shareholders in the Company.

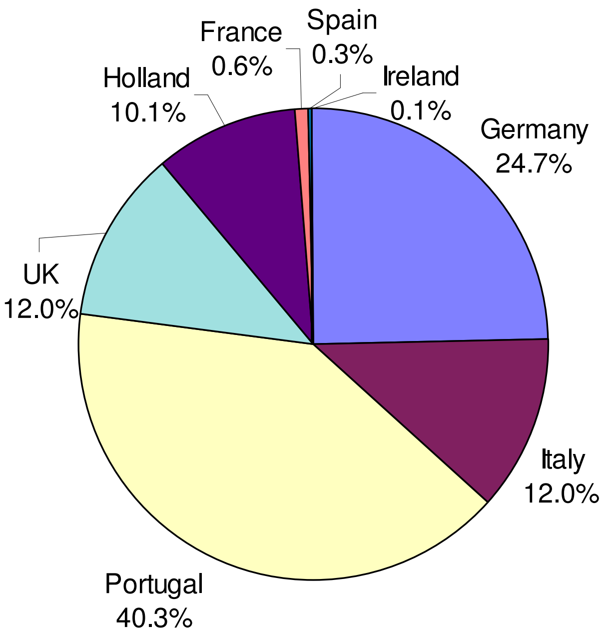
Tom Chandos, Chairman
10 June 2010

Investment Manager's Report

Investment Portfolio

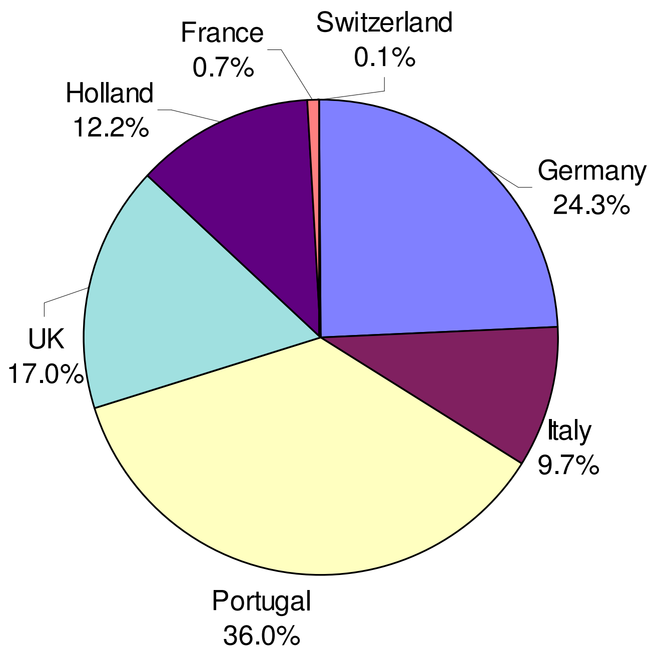
A breakdown of the Company's investment portfolio by jurisdiction (by reference to underlying asset originator) is set out below. The ABS bonds are included in the charts and are also detailed in the next section. Percentages for each asset class are in relation to the value of the Company's investment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

31 December 2009



€102.8mm

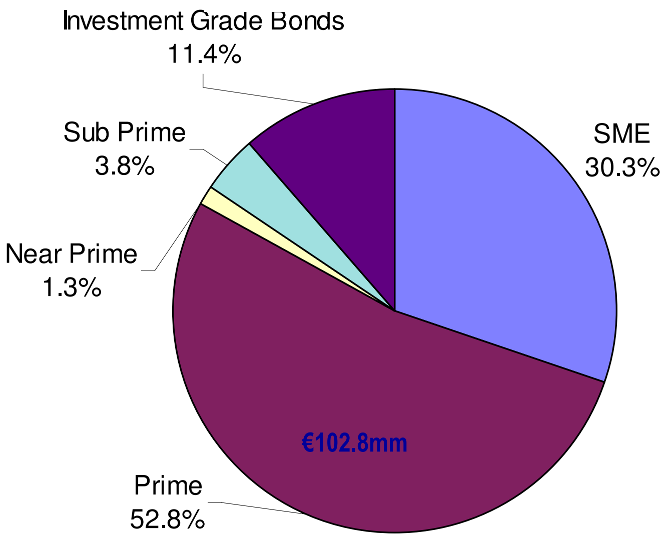
31 March 2010



€92.5 mm

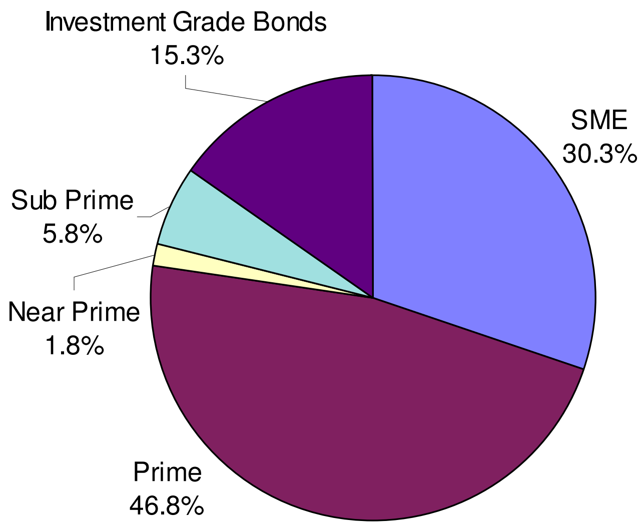
A breakdown of the Company's investment portfolio by asset type (by reference to underlying asset collateral) is set out below. Percentages for each asset class are in relation to the value of the Company's investment portfolio, excluding cash and hedges.

31 December 2009



€102.8mm

31 March 2010



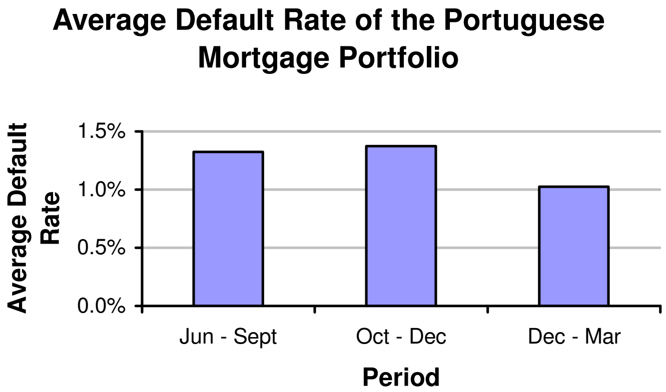
€92.5 mm

Investment Manager's Report (continued)

Investment Portfolio (continued)
N.B. '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 (40.4% of GAV)
The Company's European mortgage residuals performed satisfactorily, generating cash flow for the quarter ended 31 March 2010 of €1.8 million, compared to €2.6 million in the previous quarter. Cash flows in the year ended 31 March 2010 totalled €9.7 million, compared to €13.3 million in the previous year. Write-downs in the portfolio totalled €2.5 million. A €3.5 million write-down in the Sestante portfolio was partly offset by a gain of €1.0 million in the Portuguese mortgage portfolio.

The lower Euribor rate has had a positive effect on the Portuguese mortgage portfolio, with fewer mortgage borrowers falling into arrears than in previous quarters. These lower arrears levels translated into lower defaults in the portfolio for the quarter. However, the Company has decided not to reduce its default rate assumptions in the period.



The Company's exposure to the Portuguese market has fallen to 36.0% from 40.3% of the overall investment portfolio following the sale of the Magellan 2 mortgage portfolio on 26 February 2010. The bank that originated the underlying mortgages bought the portfolio at a sale price in line with the Company's 31 December 2009 valuation.

QWIL has closely followed developments regarding fiscal deficits in Southern Europe and the widening credit spreads. The Company believes that the wider spreads should have no direct impact on its mortgage portfolios because the majority of mortgage loans are indexed to short term Euribor rates. The key risk to asset value remains an increase in unemployment and consequent mortgage defaults as a result of government austerity measures.

The Company views it as positive that the Portuguese government and opposition parties have agreed to lower the country's 2010 deficit to 7.3% of GDP from 9.3% of GDP. This reduction in deficit will be implemented through a combination of spending cuts and increased taxes. Portugal experienced GDP growth of 1.0% in Q1 2010 and export growth of 15%. Nonetheless, to reflect continued uncertainty, the default rates the Company uses to forecast cash flows are approximately 30% higher than observed default rates.

QWIL has written down €3.5 million of the Sestante Italian mortgage portfolio as a result of an anticipated delay in expected cash flows which comprises a single bullet payment at the end of the transaction. Mortgage holders are finding it harder to refinance, with the result that the portfolio's mortgage refinancing rate fell to 9.5% this quarter from 18.5% in the previous quarter. This fall was more rapid than expected. Lower mortgage refinancing rates are likely to persist for a prolonged period and, as a consequence, have delayed the expected repayment date by approximately two years. This reassessment has lowered the net present value of the Sestante portfolio.

Investment Manager's Report (continued)

SME Portfolio Investments (27.2% of GAV)
The Company's SME portfolio performed in line with expectations. Cash flows in the quarter ended 31 March 2010 totalled €1.7 million, compared with €1.8 million in the previous quarter. Cash flows in the year ended 31 March 2010 totalled €7.4 million, compared with €14.3 million the previous year. However, the Company recorded fair-value write downs of €2.6 million in the quarter in anticipation of lower recovery rates on some assets.

Default rates remained volatile. The average default rate for the SME portfolio fell to 0.66%, from 1.84% in the previous quarter. Gate 05-2 recorded the greatest fall in default rates, to 1.48% from 5.71% in the prior quarter. We expect continued default rate volatility in the coming quarter.

	Sept 2009 Default Rate (annualised)	Dec 2009 Default Rate (annualised)	Mar 2010 Default Rate (annualised)
Amstel 06-1	0.0%	0.3%	0.5%
Smart 06-1	1.1%	1.3%	0.7%
Gate 06-1	0.8%	0.1%	0.0%
Gate 05-2	0.6%	5.7%	1.5%
Average	0.6%	1.8%	0.7%

The Company recorded write-downs against the Gate 05-2 and Gate 06-1 SME portfolios in the March quarter after observing an unusually low recovery rate for four defaulted loans. The Company continues to analyse these loans and has taken the precautionary measure of lowering the recovery rate across both these portfolios.

On 28 May 2010, the Company sold the Gate 06-1 SME portfolio at a level that was accretive to NAV. Through this sale the SME exposure has fallen from 30.3% to 24.4% of the overall investment portfolio.

ABS Bond Portfolio (13.7% of GAV)
The ABS bond portfolio recorded cash flows of €0.2 million in the quarter ended 31 March 2010, compared to €0.8 million in the previous quarter. Cash flows in the year ended 31 March 2010 totalled €1.7 million, compared to €0.8 million in the previous year. The lower cash flow this quarter is due to an increase in the proportion of mezzanine bonds. Mezzanine bonds receive interest but are not entitled to principal repayment until related senior bonds have been repaid. While this extends the cash flow profile, we currently see better potential for capital gain because of the higher relative value of mezzanine bonds versus AAA-rated bonds.

Appetite for high quality AAA-rated ABS bonds increased substantially in the early weeks of 2010. To take advantage of the price rally, on 22 January 2010, the Company sold €3.4 million nominal value of AAA RMBS bonds. The average sale price was 92.4 cents versus an average purchase price of 74.2 cents, giving an annualised return on the investments of 28.2%.

In the March quarter, the Company purchased €6.5 million of ABS bonds. New purchases were spread evenly across mezzanine, UK RMBS bonds and CMBS bonds. The average purchase price was 63 cents with an average rating of BBB+.

As at 31 March 2010, the ABS Bond portfolio held 24 bonds at a cost value of €14.1 million[4] and a nominal value of €29.9 million[5]. The following tables detail the European ABS bonds purchased by the Company up to 15 May 2010[6]. The weighted average rating of the portfolio (based on the invested amount) is approximately BBB+[7].

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[4] Net of sales completed in January 2010.
[5] Nominal shown is original notional using pool factor and FX rate at the time of purchase.
[6] The tables include the bonds purchased at their cost using FX rates at the time of purchase.
[7] Calculated using Moody's WARF (weighted average risk factor) methodology.

Investment Manager's Report (continued)

Percentage of Portfolio by Cost Price (as at 31 March 2010)

Rating by Vintage[1]	2004	2005	2006	2007	Total
AAA	0.0%	0.0%	8.8%	0.0%	8.8%
AA	0.7%	4.5%	18.4%	0.0%	23.5%
A	8.5%	4.6%	19.0%	11.9%	44.0%
BBB	0.0%	7.6%	4.7%	8.3%	20.6%
BB	0.0%	0.0%	3.1%	0.0%	3.1%
Total	9.2%	16.7%	53.9%	20.2%	100.0%

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

Percentage of Portfolio by Cost Price (as at 31 March 2010)

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	0.0%	0.0%	0.0%	0.0%	5.2%	3.6%	0.0%	8.8%
AA	0.0%	14.7%	0.0%	0.7%	0.0%	8.1%	0.0%	23.5%
A	3.4%	0.0%	13.7%	0.0%	12.9%	14.0%	0.0%	44.0%
BBB	7.6%	0.0%	0.0%	0.0%	0.0%	7.9%	5.1%	20.6%
BB	0.0%	0.0%	3.1%	0.0%	0.0%	0.0%	0.0%	3.1%
Total	11.0%	14.7%	16.8%	0.7%	18.1%	33.5%	5.1%	100.0%

1. Rating at time of purchase
2. Residential Mortgage Backed Securities
3. Commercial Mortgage Backed Securities

UK Mortgage Portfolio (8.5% of GAV)
The UK Mortgage portfolio recorded cash flows of £1.6 million in the quarter ended 31 March 2010 compared to £1.2 million in the previous quarter. Cash flows in the year ended 31 March 2010 totalled £3.9 million, compared to £11.1 million in the previous year.

The Company has increased the valuation of its RMAC assets by €3.4 million, as a result of lower defaults in the current period and lower forecast defaults versus our previous assumptions. The Company maintains conservative forecasts of defaults for the UK mortgage portfolio. The Company continues to work with mortgage originators to identify loans that do not satisfy representations and warranties provided at the time of the securitisation

Portfolio Valuation
In accordance with the Company's valuation procedures, the fair value of the Company's investments is calculated on the basis of observable market data, market discount rates and the Investment Manager's expectations regarding future trends. Given the re-structurings at many investment banks, there is a lack of reliable independent broker marks for the residual portfolio. Therefore, the Company has elected to use a model-based approach to value its residual investments. An external valuation 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 ABS bonds.

Investment Manager's Report (continued)

Portfolio Valuation (continued)

Changes in the balance sheet value of the residual portfolio between 31 December 2009 and 31 March 2010 totalled -€4.0 million. This comprised -€2.3 million of principal amortisation and fair value losses of -€1.7 million. In relation to the ABS bond portfolio, the balance sheet value increased by €2.3 million. There were €6.5 million new purchases, fair value gains of €1.3 million, principal amortisations of -€0.1 million and sales of -€5.4 million. After giving effect to these balance sheet changes in the quarter ended 31 March 2010, the NAV of the Company was €3.73 per share as at 31 March 2010 (versus €3.69 per share as at 31 December 2009).

The Company recorded total cash flows of €20.9 million in the quarter, of which €6.3 million came from the investment portfolio, €5.4 million was received from the sale of the AAA bond portfolio and a further €9.2 million was received from the sale of the Magellan 2 portfolio. The net cash inflow from operating activities was €26.3 million for the year ended 31 March 2010 compared to €30.9 million for the year ended 31 March 2009. The table below summarises the changes in balance sheet values of the Company's investment portfolio by asset class:

Asset Class	31 Dec 2009 B/S Value[1,2] (€mm)	31 Mar 2010 B/S Value[2] (€mm)	Change to B/S Value Since 31 Dec 2010 (€mm)	Cash flows Received in the Quarter Ended 31 Mar 2010 (€mm)	Cash flows Received in the Quarter Ended 31 Dec 2009[3] (€mm)
UK Mortgages	7.0	8.8	1.8	1.8	1.3
Euro Mortgages	44.2	41.6	-2.6	1.8	2.6
SME	31.2	28.0	-3.2	1.7	1.8
ABS Bonds	11.8	14.1	2.3	0.2	0.8
TOTAL[4]	94.1	92.5	-1.7	5.5	6.5

1. Balance sheet values as at 31 December 2009 are expressed using 31 March 2010 FX rates.
2. The balance sheet value figures for 31 December 2009 and 31 March 2010 include accrued interest.
3. Cash flows for 31 December 2009 are expressed using 31 March 2010 FX rates.
4. The values for each column may not sum to the total due to rounding differences.

Company Outlook – Focus on new investment opportunities

In the coming quarters, the Company will focus on growing its ABS portfolio and selling assets in legacy portfolios in order to improve its overall risk-reward profile. The Company plans to use cash freed up from debt repayment to further its strategy of selectively purchasing mis-priced bonds in the ABS markets, especially in the mezzanine segment of the market. Mezzanine bonds offer strong relative value, however cash-flow payments are lower in the short term because they repay no principal until related senior bonds are repaid.

Expected market volatility over the coming months will create opportunities to purchase undervalued ABS bonds. The Company will only invest in bonds whose price is considered depressed due to technical and liquidity issues.

The Company remains vigilant in monitoring the progress of its Portuguese assets in light of high fiscal deficits in Southern Europe. We believe that high credit spreads should have no direct impact on the Company's mortgage portfolios because most mortgage loans are indexed to short-term Euribor rates. The key risk to asset value remains an increase in unemployment and consequent mortgage defaults as a result of government austerity measures.

The Company estimates cash balances will be approximately €8.0 million at 30 June 2010. The Company projects cash flow of approximately €4.0 million per quarter for the coming quarters. As at 1 June 2010, the loss adjusted gross cash flow forecast is €168.0 million over the remaining life of the portfolio.

Cheyne Capital Management (UK) LLP
10 June 2010

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2010.

Queen's Walk Investment Limited (the "Company") was registered on 6 September 2005 with registered number 43634 and is domiciled in Guernsey, Channel Islands, and commenced its operations on 8 December 2005. The Company is an authorised closed-ended investment company with limited liability formed under The Companies (Guernsey) Law, 2008 and its Ordinary Shares have a premium listing 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, Trebuchet Finance Limited.

Principal activity and business review
The principal activity of the Group during the year was that of an investment group. The Group is expecting to continue its activities in the coming year. A review of the year is provided in the Investment Manager's Report.

Results and dividends
The results for the year and the Group's financial position at the end of the year are shown on pages 23 and 25. Dividends totalling Euro 8,526,292 were paid/declared during the year. Included in this amount is the third interim dividend of Euro 2,131,573 which was paid on 16 April 2010. A final interim dividend for the year ended 31 March 2010 of Euro 0.08 per share was declared by the Directors on 9 June 2010 and has not been included as a liability in these consolidated financial statements.

Capital structure
Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the current and prior year are shown in Note 18. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association and The Companies (Guernsey) Law, 2008. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles of Association and the Corporate Governance Statement on pages 16 to 18.

Under its Articles of Association, the Company has authority to issue an unlimited number of ordinary shares of no par value.

Directors
The Directors of the Company who served during the year were:

Tom Chandos (Chairman)
Graham Harrison
John Hawkins
Talmai Morgan
Christopher Spencer

Directors' Report (continued)

Directors (continued)
The Directors' interests (number of Ordinary Shares) in the share capital of the Company at 31 March 2010 (some of which are held directly or by entities in which the Directors may have a beneficial interest) were:

	Number of Ordinary Shares	% of Holding
Tom Chandos (Chairman)	19,000	0.07%
Graham Harrison	1,000	0.00%
John Hawkins	1,000	0.00%
Talmai Morgan	1,000	0.00%
Christopher Spencer	1,000	0.00%

Substantial interests in share capital
As of 25 May 2009, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

Date Notified	Name of Holder	Percentage of Voting Rights	Percentage Issued Share Capital	Number of Ordinary Shares	Nature of Holding
25 May 2009	The Bank of New York (Nominees) Limited	4.13%	4.13%	1,101,121	Indirect
25 May 2009	Credit Suisse Client Nominees (UK) Limited	4.56%	4.56%	1,216,273	Indirect
25 May 2009	Goldman Sachs Securities (Nominees) Limited	4.20%	4.20%	1,120,254	Indirect
25 May 2009	HSBC Global Custody Nominee (UK) Limited	4.13%	4.13%	1,101,085	Indirect
25 May 2009	Lynchwood Nominees Limited	4.16%	4.16%	1,107,640	Indirect
25 May 2009	State Street Nominees Limited	59.22%	59.22%	15,778,804	Indirect

The Investment Manager
Having reviewed the performance of the Investment Manager, the Directors are satisfied that the continued appointment of the Investment Manager on the terms agreed is in the best interests of the shareholders and the Group.

Auditors
A resolution for the reappointment of Deloitte LLP will be provided at the next annual general meeting.

Each of the persons who is a Director at the date of approval of the financial statements confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

Listing Requirements
On 13 December 2005 the Company's Ordinary Shares were admitted to the Official List of The London Stock Exchange. The Company has a premium listing.

Directors’ Report (continued)

Authorised and Issued Share Capital
There has been no movement in the authorised share capital or the issued share capital during the year.

On behalf of the Board on 10 June 2010

Christopher Spencer	**Talmai Morgan**
Director	**Director**

Investment Policy

In order to achieve its investment objective, the Group invests primarily in a diversified portfolio of subordinated tranches of Asset backed Securities ("ABS") where the Investment Manager considers that the coupon or cash flows on the subordinated tranche are attractive relative to the underlying credit. These subordinated tranches of ABS will, in most cases, be below investment grade or unrated and will, in many cases, represent the residual income typically retained by the originator of a securitisation transaction as the ''equity'' or ''first loss'' position.

The residual income position in a securitisation represents the cash flows, if any, that remain at the bottom of the payment waterfall after all other debt and transaction costs in respect of a securitisation, including payments on the more senior tranches of ABS, have been met. These positions are typically retained by the originator of the assets underlying the securitisation. The value of residual income positions is significantly influenced by the particular characteristics of the residual income position. Valuation takes considerable time, expertise, and a detailed knowledge of the underlying assets. Value also depends on the view taken of the underlying collateral and on the view taken by an investor on its required return, which are both subjective judgements. Unlike a more conventional debt instrument and the more senior tranches of ABS, the pay-out profile of a residual income position will not generally include a contractually established schedule of fixed payments divided between interest and principal. Instead, the pay-outs will 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 interest payments. The Group intends to reinvest the principal repayment portion of such cash flows in new investments when it has the ability to do so. Residual income positions also expose the holder to the risk that any default or loss on the assets in the securitised portfolio may reduce the cash flows available to be paid to the holder as interest or a return of principal.

Where appropriate, the Group may utilise leverage for the purpose of financing its portfolio and enhancing returns to Shareholders. The Group intends to reduce exposure to interest rate and currency fluctuations through the use of currency and interest rate hedging arrangements for the purposes of efficient portfolio management. The Group may alter its investment policy only with the approval of its Shareholders by ordinary resolution.

The Group seeks to create a geographically diverse portfolio of investments primarily backed by a broad range of financial assets. It will regularly monitor the extent to which the investment portfolio is concentrated in any particular country or region, asset class, industry or sector, or originator or servicer, along with any relevant risks associated with such country, region, asset class, industry, originator or servicer and the Investment Manager will rebalance the investment portfolio as and when it deems it appropriate to do so. The Group's investment policy contemplates investment primarily in subordinated tranches of ABS where the underlying portfolios of assets contain a number of exposures that are sufficiently diverse or, in the Investment Manager's terminology, ''granular'' to ensure that the Group is not unduly exposed to any single obligor. The Investment Manager believes that such granularity further enhances stability in the performance of such investments. The Group's primary target investments will be interests in and/or exposures to ABS that have subordinated claims to cash flows generated by portfolios of consumer or commercial financial assets including, without limitation, residential mortgages, credit card receivables, auto loans, student loans, commercial real estate loans and leases and may include ABS backed by pools of small and medium-enterprise loans that the Investment Manager determines are sufficiently granular but will not include certain collateralised debt obligations (or ''CDOs'') that are backed by other corporate loans or by corporate bonds. Primary Target Investments typically will have the following key characteristics. Investments will be backed by assets located primarily in the UK, continental Europe and/or the United States, investments will have prospective returns at or above the level targeted by the Investment Manager at the time of purchase. Such target returns will be adjusted by the Investment Manager from time to time to reflect changing market conditions. The prospective returns on investments targeted by the Investment Manager will typically be 10 per-cent per annum or higher, the portfolio will have a varied duration profile with the duration of individual investments generally ranging from six months to 10 years, investments will represent non-investment grade risk and may constitute residual income positions, (i) acquired in the secondary market; (ii) structured by a third party to the Investment Manager's specification in a primary market transaction; or (iii) arising out of transactions where the Investment Manager works directly with asset originators and investments will be held to maturity (or earlier redemption/repayment by the issuer/borrower) rather than traded prior to maturity.

Investment Policy (continued)

While the Group will have the flexibility to invest in assets that do not have all of the characteristics listed above, such as, inter alia, direct real estate investments and mezzanine loans, the Group has adopted a policy, which is set out in the Investment Management Agreement which requires that at least 70 per-cent of its net asset value will comprise Primary Target Investments, measured at the time of and after giving effect to each proposed new or additional investment or at the time of any disposal by reference to the latest then available net asset value. If upon such a measurement the Investment Manager determines that less than 70 per-cent of the portfolio comprises Primary Target Investments, the Investment Manager has agreed with the Group to take such action, including the sale of assets, as would be necessary to correct this imbalance prior to acquiring any further assets which do not qualify as Primary Target Investments. The Investment Manager will monitor adherence to this investment policy. The structure of the Group's investments and, in particular, residual income positions, may take many different forms including, without limitation, securities, subordinated bonds, subordinated loans, mortgage early redemption certificates, preference shares, deferred purchase price, or the right to receive certain cash reserves.

The Board of Directors has adopted general guidelines for investments and borrowings to the effect that except in the case of cash deposits awaiting investment, no more than 20 per-cent of the gross assets of the Group will be lent to or invested in any one Group or group at the time the investment or loan is made, no more than 20 per-cent of the Group's gross assets will be invested directly in real estate assets, no more than 10 per-cent of the gross assets of the Group will be invested in other listed investment companies (including listed investment trusts), except where the investment companies themselves have stated investment policies to invest no more than 15 per-cent of their gross assets in other listed investment companies (including listed investment trusts), no more than 15 per-cent of the gross assets of the Group will be invested in other listed investment companies (including listed investment trusts), regardless of their investment policies and the Group will not take legal control, or seek to take legal control, or be actively involved in the management of, any companies or businesses in which it invests, except for (i) any SPVs it may establish and (ii) pursuant to the exercise of rights as a consequence of the Group taking steps to preserve or enforce its security in relation to a particular investment. The Group will not, to a significant extent, be a dealer in investments and neither the Group nor any member of its Group will conduct a trading activity which is significant in the context of the Group as a whole.

The Group will not co-invest with the Investment Manager, any of its affiliates or other funds managed by the Investment Manager (other than Group affiliates) unless (i) the co-investment is otherwise in accordance with the Group's investment guidelines and (ii) the terms of such co-investment are at least as favourable to the Group as to the Investment Manager or such affiliate or other managed fund (as applicable) making such co-investment. Shareholders will be informed in the annual report and accounts of the Group of the actions taken by the Investment Manager in the event of any breach of the above investment restrictions which the Directors consider to have been material during the year in question. In accordance with the requirements of the Financial Services Authority the Group will alter its investment policy only with the approval of its Shareholders by ordinary resolution and distributable income is expected to be derived from investment and neither the Group nor any of its consolidated SPVs will conduct any trading activity which is significant in the context of the Group as a whole.

At any given time, certain geographic areas, asset types or industry sectors may provide more attractive investment opportunities than others and, as a result, the Group's investment portfolio may be concentrated in those geographic areas, asset types or industry sectors. Other than as described above, there are no restrictions regarding the concentration of the Group's investment portfolio. However, the Investment Manager will regularly monitor concentration in the Group's investment portfolio, together with any relevant risks associated with the geographic areas, asset types and industry sectors in question, and will take steps to adjust the balance of the investment portfolio when it deems it appropriate to do so. The Group expects that the UK, continental Europe, and the United States will be the largest regional exposures, and as noted above, the Group's Primary Target Investments will be backed by collateral located primarily in the UK, continental Europe, and the United States.

Investment Policy (continued)

Within the limits of its investment policy, the Group may utilise leverage for the sole purpose of financing its portfolio and enhancing returns to Shareholders. The Group has adopted a policy, which is set out in the Investment Management Agreement, which requires that (except for temporary warehouse finance arrangements or temporary borrowings to finance short-term cash requirements) leverage as a percentage of that part of the Group's total portfolio that comprises Primary Target Investments (measured on a gross asset basis) will not exceed 30 per-cent (of which no single Primary Target Investment (measured on a gross asset basis) may be more than 50 per-cent Funded with leverage) and leverage as a percentage of that part of the Group's total portfolio that comprises assets that are not Primary Target Investments (measured on a gross asset basis) will not exceed 95 per-cent. The magnification of the adverse impact of defaults in investments and their underlying assets and increased interest expense on borrowings could adversely affect the Group's net asset value and the level of its dividends. Breach of financing arrangements such as cross-default provisions and financial covenants could give rise to additional loss. Borrowings could adversely affect the Group's net asset value and the level of the Group's dividends. The Group may borrow to fund the acquisition of additional investments and, where appropriate, may utilise leverage in order to enhance returns to Shareholders. These borrowings may be secured against some or all of the Group's assets. The application of leverage to an investment magnifies the adverse impact caused by defaults in the underlying investment portfolio. Also, since the Group's investments are typically subordinated to more senior claims on the underlying assets, any borrowings by the Group would be incremental to the leverage already inherent in those investments. Therefore, in the event of a default in the assets underlying investments in the Group's portfolio, the level of losses suffered by the Group would be proportionately higher as a function of the aggregate leverage implicit in each of the Group's investments and a relatively small increase in the rate of defaults could have a materially detrimental effect on returns to Shareholders. The Group's earnings will be generated from the difference between income received and interest expense plus certain gains or losses arising from the sale of assets.

Corporate Governance Statement

The Directors are committed to ensuring that high standards of corporate governance are maintained and have made it Group policy to comply with best practice on corporate governance, insofar as the Directors believe it is relevant and appropriate to the Group, and notwithstanding the fact that the Company is not obliged to and has availed itself of the exemption not to comply with the "Combined Code" (i.e. the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance) as it is a Guernsey registered Company.

However the Group complies with the corporate governance guidelines issued by the Guernsey Financial Services Commission on 10 December 2004, whose underlying principles are similar to those of the Combined Code. In addition, the Directors, in accordance with best practice, comply with the Combined Code provisions as far as possible.

Following a two year consultation the FSA has announced changes to the Listing Rules. With effect from 6 April 2010, overseas companies with a premium listing are required to 'comply or explain' against the full Combined Code. The requirement on all EEA companies listed in London to produce a corporate governance statement in accordance with DTR 7.2 is being extended to non-EEA companies. The new corporate governance disclosures for Premium listed overseas companies will apply to periods beginning after 31 December 2009.

As the Company has a premium listing on the London Stock Exchange, the Company will be required to produce a corporate governance statement in accordance with DTR 7.2 in its Annual Report and Financial Statements for the year ended 31 March 2011 and thereafter.

Going concern
The Directors believe it is appropriate to adopt the going concern basis in preparing the consolidated 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 14 and 22) the Directors have taken into account the current cash balance, the forecast cash inflows from the investments, the required financing repayments and operating expenses. On 6 April 2010, the Company paid back the remaining EUR 8,642,967 and all interest due, terminating any further liabilities under the loan facility. In addition, the Directors note the cash resources currently available (Euro 15.7m) some of which will be used to pay the proposed dividend, which are sufficient to cover normal operational costs and current liabilities.

Board effectiveness
For the purposes of assessing compliance with the Combined Code, the Board considers all of the current Directors as independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

In accordance with the Combined Code, the Board has established an Audit Committee and a Nomination Committee, in each case with formally delegated duties and responsibilities within written terms of reference. The Board has not established a remuneration committee as the Group has no executive Directors or employees.

The Audit Committee is chaired by Mr Spencer and its other members are Mr Morgan, Mr Harrison and Mr Hawkins. Only independent Directors serve on the Audit Committee and members of the Audit Committee have no links with the Group's external Auditors and are independent of the Investment Manager. The terms of reference state that the Audit Committee will meet not less than twice a year and will meet the external Auditors at least once a year.

The Audit Committee is responsible for overseeing the Group's relationship with the external Auditors, including making recommendations to the Board on the appointment of the external Auditors and their remuneration. The Audit Committee is required to consider the nature, scope and results of the Auditors' work and reviews, and develop and implement policy on the supply of any non-audit services that are to be provided by the external auditors.

Corporate Governance Statement (continued)

Board effectiveness (continued)
It receives and reviews reports from the Investment Manager and the Group's external Auditors relating to the Group's annual report and accounts. The Audit Committee focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained.

The Group does not have an internal audit function but due to internal control processes put in place by the Administrator, Sub-Administrator, Custodian and Investment Manager, the Board has decided to place reliance on their systems and internal control procedures.

The Nomination Committee is chaired by Mr Chandos and its other members are Mr Morgan, Mr Harrison, Mr Hawkins and Mr Spencer. The members of the nomination committee are and will be independent Directors. The terms of reference state that the Nomination Committee will meet not less than once a year, will have responsibility for considering the size, structure and composition of the Board, and retirements and appointments of additional and replacement Directors and that the Nomination Committee will make appropriate recommendations to the Board.

The following table shows the number of regularly scheduled meetings held by the Board and each committee for the year ended 31 March 2010 as well as the number of attendances at each meeting.

	Scheduled Board Meetings	Ad-Hoc Board Meetings	Nomination Committee Meeting Attendance	Audit Committee Meeting Attendance
Board of Directors				
Tom Chandos	4/4	1/4	1/1	N/A
John Hawkins	4/4	3/4	1/1	4/4
Graham Harrison	4/4	2/4	1/1	3/4
Talmai Morgan	4/4	2/4	1/1	4/4
Christopher Spencer	4/4	2/4	1/1	4/4

The four ad-hoc board meetings in the year were to approve irrevocable mandates and interim management reports.

None of the Directors have a service contract with the Company.

A Nomination Committee meeting was held on 9 June 2010. Tom Chandos and Christopher Spencer will be put forward for re-election at the forthcoming AGM, having served as Directors of the Company from the Company's inception.

While no formal committee has been appointed to consider the continuation of engagement of the relevant service providers, the whole Board reviews their performance. The Directors are satisfied that the continued appointment of the relevant service providers is in the best interests of the shareholders and the Group.

The holders of the position of the Chairman of the committees referred to above will be reviewed on an annual basis. The membership of these committees and their terms of reference will be kept under review. The performance of the Chairman of the Board will be assessed by another of the independent Directors through discussions with the other Directors.

The Group has appointed M: Communications as public relations consultant and Citigroup Global Markets Limited and Goldman Sachs International as corporate brokers. Together with these parties, the Investment manager assists the Board in communicating with the Company's major shareholders.

Corporate Governance Statement (continued)

Internal controls

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. The Directors review not just internal controls but all controls including operations, compliance and risk management.

Investment management is provided by Cheyne Capital Management (UK) LLP. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Manager at regular Board meetings. Administration and Group secretarial services are provided by Kleinwort Benson (Channel Islands) Fund Services Limited. The Sub-Administrator to which certain functions are delegated is Investors Fund Services (Ireland) Limited. Custody of assets is undertaken by Investors Trust & Custodial Services (Ireland) Limited. Regular compliance reports are received by the Board.

The Directors of the Group clearly define the duties and responsibilities of their agents and advisers, whose appointments are made by the Board after due consideration. The Board monitors the ongoing performance of such agents and advisers. Each of the above agents and advisers maintain their own systems of internal control on which they report to the Board. The systems are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

Directors' Remuneration Report

Each of the Directors has signed a letter of appointment with the Group setting out the terms of their appointment. The Chairman receives an annual fee of Euro 120,000 and each of Mr Morgan, Mr Spencer, Mr Harrison and Mr Hawkins receive an annual fee of Euro 30,000, in each case payable quarterly in equal instalments in arrears.

The Company has not established a Remuneration Committee as the Company does not have any executive Directors or employees. The total amounts for the Directors' remuneration for the year were as follows:

	Year ended 31 March 2010 Euro	**Year ended 31 March 2009 Euro**
Tom Chandos	120,000	120,000
Graham Harrison	30,000	30,000
John Hawkins	30,000	30,000
Talmai Morgan	30,000	30,000
Christopher Spencer	30,000	30,000
Total Directors' emoluments	240,000	240,000

During the year, Talmai Morgan and Graham Harrison each received Euro 12,500 (2009: Euro 12,500) in their capacity as Directors of Trebuchet Finance Limited.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS"). Company law requires the Directors to prepare such financial statements which give a true and fair view and are in accordance with The Companies (Guernsey) Law, 2008.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

In preparing these financial statements, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors′ responsibility statement

We confirm that to the best of our knowledge:

1. The consolidated financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

2. The Chairman's Statement and the Investment Manager's report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Christopher Spencer	**Talmai Morgan**
Director	**Director**

10 June 2010

Independent Auditors' report to the members of Queen's Walk Investment Limited

We have audited the consolidated financial statements of Queen's Walk Investment Limited (the "financial statements") for the year ended 31 March 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and related Notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS).

This report is made solely to the Group's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards and applicable Guernsey law are set out in the Directors' Responsibilities Statement.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with Auditing Practices Board's Ethical Standards for auditors.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards and whether the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. The other information comprises only the Chairman's Statement, Investment Manager's Report, Directors' Report, the Corporate Governance Statement and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed. We are not required to review any Corporate Governance disclosures required by The Listing Rules of the Financial Services Authority as the Group has availed itself of an exemption, as an overseas company, from the requirement to publish a statement of compliance with The Combined Code.

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

Independent Auditors' report to the members of Queen's Walk Investment Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards of the state of the Group's affairs as at 31 March 2010 and of the Group's profit for year ended 31 March 2010 and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

Added emphasis regarding the valuation of the Group's investments

Without qualifying our opinion we draw your attention to Notes 2 and 3 of the financial statements, which describe the policies adopted by the Directors for fair valuing the Group's investments. In accordance with this policy and the requirements of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement", the Directors have estimated the fair value of the investments at Euro 91,568,184 at 31 March 2010.

As described in Notes 2 and 3 of the financial statements, the Group's investments in asset backed securities are illiquid. As a result of this the fair value estimates included in the financial statements are subject to considerable uncertainty. Different assumptions will impact the measurement of the investments which may have an effect on the financial statements. It is not possible to quantify the potential effects of the resolution of this uncertainty.

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands

10 June 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Interest income	5	16,125,956	21,669,409
Gains and losses on fair value through profit or loss financial instruments	4	(9,608,632)	(74,873,145)
		6,517,324	(53,203,736)
Operating expenses	7	(3,700,373)	(4,462,662)
Finance costs	5	(545,909)	(2,197,946)
Net profit/(loss)		**2,271,042**	**(59,864,344)**
Profit /(loss) per Ordinary Share			
Basic	9	Euro 0.09	Euro (2.13)
Diluted	9	Euro 0.09	Euro (2.13)
Weighted average Ordinary Shares outstanding		**Number**	**Number**
Basic	9	26,644,657	28,161,648
Diluted	9	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.

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Note	Share Capital Euro	Reserves Euro	Total Euro
Balance at 31 March 2008		-	**197,144,419**	**197,144,419**
Net loss for the year		-	(59,864,344)	(59,864,344)
Buy back of Ordinary Shares	18,19	-	(18,848,906)	(18,848,906)
Distribution to the Ordinary Shareholders of the Company	8	-	(12,846,078)	(12,846,078)
Balance at 31 March 2009		**-**	**105,585,091**	**105,585,091**
Net profit for the year		-	2,271,042	2,271,042
Distribution to the Ordinary Shareholders of the Company	8	-	(8,526,292)	(8,526,292)
Balance at 31 March 2010		**-**	**99,329,841**	**99,329,841**

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

Consolidated Statement of Financial Position

As at 31 March 2010

	Note	31 March 2010 Euro	31 March 2009 Euro
Non-current assets			
Investments at fair value through profit or loss	6,11	91,568,184	108,331,353
		91,568,184	108,331,353
Current assets			
Cash and cash equivalents		15,718,951	18,661,098
Derivative financial assets– options held for trading	6,11	250,300	5,858,210
Derivative financial assets–unrealised gain on interest rate swap agreements	6,13	2,421,883	3,512,780
Other assets	12	1,376,852	1,663,496
		19,767,986	29,695,584
Total assets		**111,336,170**	**138,026,937**
Equity and liabilities			
Equity			
Reserves	19	99,329,841	105,585,091
		99,329,841	105,585,091
Current liabilities			
Distribution payable	8	2,131,573	2,131,573
Other liabilities	17	1,231,789	804,234
		3,363,362	2,935,807
Non-current liabilities			
Loans	14	8,642,967	29,506,039
Total liabilities		12,006,329	32,441,846
Total equity and liabilities		**111,336,170**	**138,026,937**

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

These financial statements were approved by the Board of Directors on 10 June 2010.

Signed on behalf of the Board of Directors by:

Christopher Spencer
Director

Talmai Morgan
Director

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Net cash inflow from operating activities	20	26,257,174	30,942,199
Financing activities			
Net repayment of borrowings from loans	14,22	(20,863,072)	(10,993,961)
Dividends paid to shareholders	8	(8,526,292)	(15,359,697)
Buy back of share capital	18	-	(18,848,906)
Cash flows from financing activities		(29,389,364)	(45,202,564)
Net decrease in cash		(3,132,190)	(14,260,365)
Reconciliation of net cash flow to movement in net cash			
Net decrease in cash and cash equivalents		(3,132,190)	(14,260,365)
Cash and cash equivalents at start of year		18,661,098	32,934,817
Effect of exchange rate fluctuations on cash and cash equivalents		190,043	(13,354)
Cash and cash equivalents at end of year		15,718,951	18,661,098

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

Notes to the Consolidated 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 an authorised closed-ended investment company with limited liability formed under The Companies (Guernsey) Law, 2008 and its Ordinary Shares have a premium listing 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 31 March 2010, 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

Statement of compliance
The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("the IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the UK Listing Authority.

Adoption of new and revised standards
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 Group has elected to present one statement; a statement of comprehensive income. The consolidated 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.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Adoption of new and revised standards (continued)

ii On 30 November 2006, the International Accounting Standards Board ("IASB") issued IFRS 8, Operating Segments, which replaces IAS 14 Segment Reporting. This puts an emphasis on the "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Operating Decision Maker.

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 consolidated 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.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/IAS 27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (revised 2008) Business Combinations
IAS 27 (revised 2008) Consolidated and Separate Financial Statements
IFRIC 17 Distributions of Non-cash Assets to Owners
Improvements to IFRSs (April 2009)

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

Basis of preparation

The consolidated financial statements of the Group are prepared under International Financial Reporting Standards 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 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.

The Directors believe it is appropriate to adopt the going concern basis in preparing the consolidated 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 14 and 22) the

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

Basis of preparation (continued)
Directors have taken into account the current cash balance, the forecast cash inflows from the investments, the required financing repayments and operating expenses. On 6 April 2010, the Company paid back the remaining EUR 8,642,967 and all interest due, terminating any further liabilities under the loan facility. In addition, the Directors note the cash resources currently available (Euro 15.7m) some of which will be used to pay the proposed dividend, which are sufficient to cover normal operational costs and current liabilities.

These consolidated 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 10). 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 31 March 2010, 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 Group. 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.

2. Significant accounting policies (continued)

Derivative financial instruments (continued)
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.

The fair value of options is their quoted market price at the date of the Consolidated 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.

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.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting policies (continued)

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 Consolidated Statement of Financial Position 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 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.

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.

Segment information
For management purposes, the Group is organised into two main operating segments, which invest in 1) Investment Grade Bonds and 2) in Residual Bonds. Each segment engages in separate business activities and the results of each segment are regularly reviewed by the Board of Directors who have assumed the role of Chief Operating Decision Maker for performance assessment purposes.

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 consolidated financial statements:

Income recognition of residual income positions
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

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

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".

The amortised 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 amortised 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.

Notes to the Consolidated Financial Statements (continued)

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 31 March 2010 bid prices were not available for any of the Group's residual portfolio 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 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 change 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 Statement of Comprehensive Income 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 11 and a further description of the risks associated with the Group's investments is provided in Note 15. 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 with sensitivities in the Group's annual report and consolidated financial statements. A summary of the impact of changes to assumptions by reference to asset category is provided in Note 15.

Notes to the Consolidated Financial Statements (continued)

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:

	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Net realised gains/(losses)		
Net realised gains/(losses) on asset backed securities and bonds	448,834	(60,706,822)
Net realised losses on options	(429,617)	(840,000)*
Net realised gains on swaps	29,674	-
Net realised gains on foreign exchange instruments	17,059	1,787,538
Net realised gains/(losses)	65,950	(59,759,284)
Net unrealised gains/(losses)		
Net unrealised losses on investments at fair value through profit or loss	(4,984,421)	(20,204,444)
Net unrealised (losses)/gains on interest rate swap agreements	(1,090,897)	3,518,019
Net unrealised (losses)/gains on options	(3,789,307)	2,576,133
Net unrealised gains/(losses) on foreign exchange bank balances	190,043	(13,354)
Net unrealised losses on foreign exchange instruments	-	(990,215)
Net unrealised losses	(9,674,582)	(15,113,861)
Net realised and unrealised losses	(9,608,632)	(74,873,145)

* Following an event of default notice submitted on 3 October 2008 to Lehman Brothers International (Europe) under the option contract, the Group wrote the value of the Lehman HPI option down to an estimate of the recoverable amount. The estimated amount, 8.625%, was transferred from options to other assets in the Consolidated Statement of Financial Position (Refer to Note 12).

5. Interest income and finance costs

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

	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Interest income		
Investments designated at fair value through profit or loss upon initial recognition	16,115,471	21,355,186
Loans and receivables (including cash and cash equivalents)	10,485	314,223
Total interest income	16,125,956	21,669,409

	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Finance costs:		
Liabilities held at amortised cost:		
Interest on loan	545,909	2,010,520
Other	-	187,426
Total finance costs	545,909	2,197,946

Notes to the Consolidated Financial Statements (continued)

6. Categories of financial instruments

The following table details the categories of financial assets and liabilities held by the Group at 31 March:

	31 March 2010 Euro	31 March 2009 Euro
Financial assets designated at fair value through the profit or loss:		
Investments	91,568,184	108,331,353
Held for trading:		
Call and put options	250,300	5,858,210
Interest rate swap agreements	2,421,883	3,512,780
Loans and receivables:		
Cash and cash equivalents	15,718,951	18,661,098
Other assets	1,376,852	1,663,496
Total assets	**111,336,170**	**138,026,937**
Liabilities		
Liabilities held at amortised cost:		
Other liabilities	3,363,362	2,935,807
Loans	8,642,967	29,506,039
Total liabilities	**12,006,329**	**32,441,846**

7. Operating expenses

	Note	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Investment management, custodian and administration fees			
Investment management and incentive fee	21	1,766,563	2,617,240
Administration fee	21	195,211	197,439
Custodian fee	21	36,540	47,816
		1,998,314	2,862,495
Other operating expenses			
Audit fees		170,000	171,598
Directors' fees payable to Directors of Queen's Walk Investment Limited		240,000	240,000
Directors' fees payable to Directors of Trebuchet Finance Limited		25,000	25,000
Legal fees		600,000	591,432
Pricing expenses		128,220	63,319
Other expenses		538,839	508,818
		1,702,059	1,600,167
Total operating expenses		3,700,373	4,462,662

The Group has no employees.

Notes to the Consolidated Financial Statements (continued)

8. Dividends

	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Fourth interim dividend for the year ended 31 March 2008	-	4,535,685
First interim dividend for the year ended 31 March 2009	-	4,030,449
Second interim dividend for the year ended 31 March 2009	-	2,148,371
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	-
First interim dividend for the year ended 31 March 2010	2,131,573	-
Second interim dividend for the year ended 31 March 2010	2,131,573	-
Third interim dividend for the year ended 31 March 2010	2,131,573	-
Amounts recognised as distributions to equity holders in the year	8,526,292	12,846,078

	Year ended 31 March 2010 Euro per share	Year ended 31 March 2009 Euro per share
Fourth interim dividend for the year ended 31 March 2008	-	0.15
First interim dividend for the year ended 31 March 2009	-	0.15
Second interim dividend for the year ended 31 March 2009	-	0.08
Third interim dividend for the year ended 31 March 2009	-	0.08
Fourth interim dividend for the year ended 31 March 2009	0.08	-
First interim dividend for the year ended 31 March 2010	0.08	-
Second interim dividend for the year ended 31 March 2010	0.08	-
Third interim dividend for the year ended 31 March 2010	0.08	-
Amounts recognised as distributions to equity holders in the year	0.32	0.46

The third interim dividend for the year ended 31 March 2010 of Euro 0.08 per share was declared on 11 March 2010 and an amount of Euro 2,131,573 was paid on 16 April 2010.

The fourth interim dividend for the year ended 31 March 2010 of Euro 0.08 per share was declared on 9 June 2010 and has not been included as a liability in these consolidated financial statements.

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.

Notes to the Consolidated Financial Statements (continued)

9. Profit /(loss) per Ordinary Share

	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
The calculation of the basic and diluted earnings per share is based on the following data:		
Profit /(loss) for the purposes of basic earnings per share being net loss attributable to equity holders	2,271,042	(59,864,344)
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 31 March 2010 or 31 March 2009 as the share price was below the option price on that date.

10. 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 Company 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.

11. Investments

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

	31 March 2010 Euro	31 March 2009 Euro
Asset-backed securities at fair value through profit or loss	91,568,184	108,331,353
Options purchased held for trading	301,610	6,010,690
Options written held for trading	(51,310)	(152,480)
	91,818,484	114,189,563

Asset-backed securities	31 March 2010 Euro	31 March 2009 Euro
Opening cost	250,110,675	326,365,867
Purchases	12,415,474	7,433,191
Sales proceeds	(14,166,837)	-
Realised gain/(loss)	448,834	(60,706,822)
Principal payups	5,788,194	6,106,944
Principal paydowns	(16,264,413)	(29,088,505)
Closing cost	238,331,927	250,110,675
Cumulative unrealised losses	(146,763,743)	(141,779,322)
Asset-backed securities at fair value	91,568,184	108,331,353

11. Investments (continued)

The following options contracts were open as at 31 March 2010:

Counterparty	Expiration	Description	Currency	Notional Amount	Strike price	Unrealised Gains/ (Losses) Euro
Goldman Sachs	29 Dec 2010*	EUR Call GBP Put	Euro	10,000,000	0.9315	(840,390)
Goldman Sachs	29 Dec 2010	EUR Call GBP Put (Written option)	Euro	10,000,000	1.300	118,690
						(721,700)

*On 6 April 2010, the Group extended the maturity to 31 December 2011.

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	29 Dec 2010	Mdax Index Put (Written option)	Euro	3,385	4,000.00	1,034,456
						3,067,607

12. Other assets

	31 March 2010 Euro	31 March 2009 Euro
Interest receivable on investment portfolio	877,917	1,306,136
Lehman claim*	328,230	268,876
Interest receivable on cash and cash equivalents	170,705	88,484
	1,376,852	1,663,496

* Since 31 March 2010, the Lehman claim was sold for Euro 328,230.

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

Notes to the Consolidated Financial Statements (continued)

13. Derivative contracts

The following interest rate and balance guaranteed interest rate swaps were unsettled at 31 March 2010 and 2009.

31 March 2010

Termination Date	Counterparty	Initial Notional Amount (GBP)	Unrealised Gain/(Loss) Euro
25 January, 2013	Goldman Sachs	451,431	21,760
15 October, 2011	Goldman Sachs	5,500,000	163,068
15 November, 2011	Goldman Sachs	1,300,000	37,473
25 January, 2013	Goldman Sachs	1,226,713	65,943
15 October, 2011	Goldman Sachs	3,000,000	88,536
12 September, 2011	Goldman Sachs	1,700,000	45,234
27 March, 2011	Goldman Sachs	17,348,100	642,940
15 January, 2011	Goldman Sachs	9,700,584	330,394
15 February, 2011	Goldman Sachs	27,568,395	1,026,535
			2,421,883

31 March 2009

Termination Date	Counterparty	Initial Notional Amount (GBP)	Unrealised Gain/(Loss) 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

14. Loans

	31 March 2010 Euro	31 March 2009 Euro
Loans	8,642,967	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 committed to repay the outstanding balance of the facility by October 2011 (by March 2011 if Magellan 1 is re-financed), pursuant to an agreed loan amortisation schedule and will not make any further draw downs.

14. Loans (continued)

On 6 April 2010 the Company paid back the remaining EUR 8,642,967 and all interest due, terminating any further liabilities under the loan facility.

15. Financial instruments

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The Group's risk management policies seek to minimise the potential adverse effects of these risks on the Group's financial performance.

The principal risks to which the Group are exposed are market risk, interest rate risk, liquidity risk, currency risk, credit risk, prepayment and re-investment risk and residual interest risk. In certain instances as described more fully below, the Group enters into derivative transactions in order to help mitigate particular types of risk. Save where the Group enters into swap arrangements to gain exposure to an underlying cash asset or assets, or to comply with asset transfer restrictions or similar legal restrictions which prevent the Group from owning a target investment directly, derivative transactions are only used for the purpose of efficient portfolio management.

(a) Market risk

Market risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises of interest rate risk, currency risk and other price risk.

The Group's strategy on the management of market risk is driven by the Group's investment objective detailed in Note 1 which is to provide stable returns to Shareholders in the form of quarterly dividends. The Group's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures detailed below.

The sensitivity analysis below is based on a change in one variable while holding all other variables constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in foreign currency rate and change in market values. In addition, as the sensitivity analysis uses historical data as a basis for determining future events, it does not encompass all possible scenarios, particularly those that are of an extreme nature.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk to the extent that foreign exchange rates fluctuate in relation to financial instruments that are denominated in currencies other than Euro.

The Group has elected to hedge its FX exposure by purchasing a two year Euro:Sterling FX option. This approach enables the Group 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. The strike price of the purchased EUR call /GBP put option was 0.9315. On 6 April 2010 the Group extended its hedge against its FX exposure by extending the maturity of its Euro:Sterling FX Option from 29 December 2010 to 31 December 2011.

The strike price of the purchased option was at-the-money at the date of purchase. 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 but with a strike price of 1.3000. The Group monitors the anticipated currency exposure at the maturity date and can adjust the notional of the option if required. Due to the hedging options delta, which only moves closer to parity with the movement on the underlying FX rates at maturity, there may be an unrealised FX profit and loss impact until the maturity of the option.

Notes to the Consolidated Financial Statements (continued)

15. Financial instruments (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The currency profile at 31 March 2010 was as follows:

	Total (in Euro)	Euro (in Euro)	GBP (in Euro)	USD (in Euro)
Investments at fair value through profit or loss	91,568,184	76,129,035	15,439,149	-
Derivative financial assets – options	250,300	250,300	-	-
Net derivative financial assets – interest rate swap agreements	2,421,883	2,222,170	199,713	-
Other assets	1,376,852	1,326,256	50,596	-
Cash and cash equivalents	15,718,951	12,722,344	2,966,640	29,967
Loans	(8,642,967)	(8,642,967)	-	-
Other liabilities	(3,363,362)	(3,363,362)	-	-
	99,329,841	80,643,776	18,656,098	29,967

The currency profile at 31 March 2009 was as follows:

	Total (in Euro)	Euro (in Euro)	GBP (in Euro)	USD (in Euro)
Investments at fair value through profit or loss	108,331,353	98,382,090	9,852,001	97,262
Derivative financial assets – options	5,858,210	5,858,210	-	-
Net derivative financial assets – interest rate swap agreements	3,512,780	3,382,518	130,262	-
Other assets	1,663,496	1,487,864	63,299	112,333
Cash and cash equivalents	18,661,098	17,098,765	1,552,523	9,810
Loans	(29,506,039)	(29,506,039)	-	-
Other liabilities	(2,935,807)	(2,935,807)	-	-
	105,585,091	93,767,601	11,598,085	219,405

At 31 March 2010, had the Euro strengthened by 5% in relation to all currencies, with all other variables held constant, equity of the Group and net loss per the consolidated statement of comprehensive income would have decreased by the amounts shown below. The analysis is performed on the same basis for 2009.

	31 March 2010 Euro	31 March 2009 Euro
British Pound	(888,386)	(76,099)
United States Dollar	(1,427)	(10,448)
Total	(889,813)	(86,547)

A 5% weakening in the Euro against the above currencies would have resulted in an equal but opposite effect on the above consolidated financial statement accounts to the amounts shown above, on the basis that all variables remain constant.

15. Financial instruments (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk is managed by the Investment Manager in accordance with policies and procedures detailed below.

The Group is primarily exposed to interest rate risk through its cash balances and bank loans. The investment portfolio is exposed to interest rate risk in the respect that changes in interest rates may have an effect on the prepayments and defaults of the underlying loans of the securitisations. These specific risks are discussed separately in Notes 15 (d) and 15 (e). The direct interest rate risk on the investment portfolio is minimal as the assets in the Group's investment portfolio are the equity positions in securitisation transactions. Due to the nature of the securitisations, the liabilities are matched to the underlying collateral and in the significant majority of instances, the margin on the liabilities are fixed. The cash flows from the residual investments are not directly affected by changes in market interest rates because the investments have no notional fixed rate element.

The underlying loans may be subject to interest rate exposure; however the majority of the underlying mortgage loans are floating rate. Any element of fixed rate underlying loan exposure is hedged using interest rate swaps. Changes in interest rates can affect the Group's net interest income, which is the difference between the interest income earned on interest-earning investments and the interest expense incurred on interest-bearing liabilities, as such there is some interest rate exposure on the loan facility, this is detailed below.

The interest rate profile at 31 March 2010 was as follows:

	Fixed Euro	**Floating Euro**	**Non-interest bearing Euro**
Investments at fair value through profit or loss	-	91,568,184	
Derivative financial assets – options	-	-	250,300
Derivative financial assets – interest rate swap agreements	-	2,421,883	-
Cash and cash equivalents	-	15,718,951	-
Other assets	-	-	1,376,852
Loans	-	(8,642,967)	-
Other liabilities	-	-	(3,363,362)
Total	-	101,066,051	(1,736,210)

Notes to the Consolidated Financial Statements (continued)

15. Financial instruments (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The interest rate profile at 31 March 2009 was as follows:

	Fixed Euro	Floating Euro	Non-interest bearing Euro
Investments at fair value through profit or loss	-	108,331,353	-
Derivative financial assets – options	-	5,858,210	-
Derivative financial assets – interest rate swap agreements	-	3,512,780	-
Cash and cash equivalents	-	18,661,098	-
Other assets	-	-	1,663,496
Loans	-	(29,506,039)	-
Other liabilities	-	-	(2,935,807)
Total	-	106,857,402	(1,272,311)

Although investments in residual income positions have been treated as floating rate investments in the above table, income on these investments is based on the effective interest rate (see Note 2).

A decrease of 100 basis points in interest rates as at the Consolidated Statement of Financial Position date would have increased equity of the Group and net profit per the Consolidated Statement of Comprehensive Income by Euro 86,429 (2009: Euro 235,585).

An increase of 100 basis points would have had an equal but opposite effect. As the only interest rate risk for the Group is the loan facility, we have seen the calculated the impact of a 1% rise in the loan cost.

Maturity profile

The maturity profile at 31 March 2010 was as follows:

	Total Euro	Within one year Euro	One to five years Euro	Over five years Euro
Investments at fair value through profit or loss	91,568,184	3,412,475	10,080,635	78,075,074
Derivative financial assets - options	250,300	250,300	-	-
Derivative financial assets – interest rate swap agreements	2,421,883	1,999,869	422,014	-
Cash and cash equivalents	15,718,951	15,718,951	-	-
Other assets	1,376,852	1,376,852	-	-
Loan	(8,642,967)	(8,642,967)	-	-
Other liabilities	(3,363,362)	(3,363,362)	-	-
	99,329,841	10,752,118	10,502,649	78,075,074

15. Financial instruments (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The maturity profile at 31 March 2009 was as follows:

	Total Euro	Within one year Euro	One to five years Euro	Over five years Euro
Investments at fair value through profit or loss	108,331,353	13,591,328	60,490,559	34,249,466
Derivative financial assets - options	5,858,210	5,858,210	-	-
Derivative financial assets – interest rate swap agreements	3,512,780	-	3,512,780	-
Cash and cash equivalents	18,661,098	18,661,098	-	-
Other assets	1,663,496	1,663,496	-	-
Loan	(29,506,039)	(5,947,520)	(23,558,519)	-
Other liabilities	(2,935,807)	(2,935,807)	-	-
	105,585,091	30,890,805	40,444,820	34,249,466

The maturity dates for residual income positions have been determined on the basis of the calculated expected cashflows of the relevant transactions.

(iii) Discount rate risk

The value of the asset backed securities will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Group's financial instruments are carried at fair value with fair value changes recognised in the consolidated statement of comprehensive income, all changes in market conditions will directly affect the change in net assets.

The fair value of the Group's investments will fluctuate as a result of change in the discount rate applied to net present value the investments.

The Group currently applies a discount margin of 15% for the European and UK Mortgages and 20% for the SME portfolios. The weighted average discount rate currently applied to the Group's investment portfolio is approximately 17%. A 10% increase in the discount rate of the securities held would have decreased the equity of the Group and net profit per the consolidated statement of comprehensive income by Euro 2,948,184 (2009: Euro 3,759,543); an equal change in the opposite direction would have increased net assets.

The Net Asset Value (NAV) per share of the Group using a discount rate of 15% for the European and UK Mortgages and 20% for the SME portfolios is EUR 3.73. If different discount margin scenarios were applied to the residual assets it would have the following effect on the NAV per share of the Company:

- All assets: 15% IRR: NAV/ share: €3.84 (31 March 2009: €4.10)
- All assets: 20% IRR: NAV/ share: €3.51 (31 March 2009:€3.68)
- European & UK Mortgages 15%, SME 25%: NAV / share: €3.64 (31 March 2009: €3.85)
- European & UK Mortgages 20%, SME 25%: NAV / share: €3.42 (31 March 2009: €3.56).

15. Financial instruments (continued)

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange-clearing house.

At 31 March, the Group's financial assets, other than the investment portfolio discussed below, exposed to credit risk amounted to the following:

	31 March 2010 Euro	31 March 2009 Euro
Cash and cash equivalents	15,718,951	18,661,098
Derivative financial assets – unrealised gain on interest rate swap agreements	2,421,883	3,512,780
Derivative financial assets – Options purchased held for trading	301,610	
Total	18,442,444	22,173,878

The Group is subject to the risk that issuers of asset backed securities in which it invests, including sovereign governments and governmental entities as well as non-governmental entities, may default on their obligations under such instruments and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of an instrument in which the Group invests will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Group will not sustain a loss on the transaction as a result. The Group seeks to mitigate this risk by monitoring its portfolio of investments, reviewing the underlying credit quality of its counterparties, on a monthly basis.

The Group has considered the effect of credit risk of the investment portfolio and its underlying assets, this is detailed below in Note 15 (d). Otherwise, the Group therefore only has credit exposure on its derivative contracts. At 31 March, the Group was invested in derivative contracts with Goldman Sachs, a counterparty with the following credit quality:

Rating	31 March 2010	31 March 2009
A (Derivatives and FX contracts)	2,723,493	9,523,469

The Group has no credit risk to the SPVs because they are legally obliged to pay all excess cashflows to the holders of the equity. The Group has credit exposure to the underlying collateral in the SPV and is detailed below in Note 15 (d), there is no material concentration of credit risk not disclosed in the above table.

Transactions involving derivative financial instruments are usually with counterparties with whom the Group signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk from the amounts shown as derivative financial assets on the Consolidated Statement of Financial Position. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised.

The exposure to credit risk reduced by master netting arrangements may change significantly within a short period of time as a result of transactions subject to the arrangement. The corresponding assets and liabilities have not been offset on the Consolidated Statement of Financial Position.

Notes to the Consolidated Financial Statements (continued)

15. Financial instruments (continued)

(b) Credit risk (continued)

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Group monitors the credit rating and financial positions of the brokers used to further mitigate this risk.

Substantially all of the assets of the Group are held by a custodian, Investors Trust & Custodial Services (Ireland) Limited. Bankruptcy or insolvency of the sub-administrator would not cause the Group's rights with respect to securities held by the prime broker to be delayed or limited.

Substantially all of the cash held by the Group is held by the Sub-Administrator, Investors Fund Services (Ireland) Limited. Bankruptcy or insolvency of Investors Fund Services (Ireland) Limited may cause the Group's rights with respect to the cash held by Investors Fund Services (Ireland) Limited to be delayed or limited. The Group monitors its risk by monitoring the credit quality of Investors Fund Services (Ireland) Limited, as reported by Standard and Poor's or Moody's. If the credit quality or the financial position of Investors Fund Services (Ireland) Limited deteriorates significantly the Investment Manager will move the cash holdings to another bank. Investors Trust and Custodial Services (Ireland) Limited is a State Street Bank and Trust Company. The credit rating of State Street was A1 at the reporting date.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures detailed below. Where needed, the Investment Manager will liquidate positions to increase cash.

The following table details the current and long term financial liabilities at 31 March 2010:

	Less than 1 month Euro	**1-3 months Euro**	**3 months to 1 year Euro**	**Greater than 1 year Euro**
Financial liabilities including derivatives settled net				
Loans	8,642,967	-	-	-
Distribution payable	2,131,573	-	-	-
Interest payable	-	42,778	-	-
Due to related parties	-	147,854	-	-
Accrued expenses	-	1,041,157	-	-
	10,774,540	1,231,789	-	-

15. Financial instruments (continued)

(c) Liquidity risk (continued)

The following table details the residual contractual maturities of financial liabilities at 31 March 2009:

	Less than 1 month Euro	1-3 months Euro	3 months to 1 year Euro	Greater than 1 year Euro
Financial liabilities including derivatives settled net				
Loans	-	-	(5,947,520)	(23,558,519)
Distribution payable	(2,131,573)	-	-	-
Interest payable	-	(219,492)	-	-
Due to related parties	-	(156,935)	-	-
Accrued expenses	-	(427,807)	-	-
	(2,131,573)	(804,234)	(5,947,520)	(23,558,519)

The previous tables show the contractual, undiscounted cash flows of the Group's financial liabilities.

The market for subordinated asset-backed securities, including residual income positions, is illiquid. In addition, investments that the Group purchases in privately negotiated (also called "over the counter" or "OTC") transactions may not be registered under relevant securities laws or otherwise may not be freely tradable, resulting in restrictions on their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result of this illiquidity, the Group's ability to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may be limited.

Furthermore, where the Group acquires investments for which there is not a readily available market, the Group's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such investment is exposed may be limited.

Valuation of Financial Instruments

IFRS 7 requires disclosures surrounding the level in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured in the Consolidated Statement of Financial Position. The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2, Significant Accounting Policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group categorises investments using the following hierarchy as defined by IFRS 7:

- Level 1 – Quoted market price in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the Consolidated Financial Statements (continued)

15. Financial instruments (continued)

(c) Liquidity risk (continued)

Valuation of Financial Instruments (continued)

The following table analyses within the fair value hierarchy the Group's financial assets measured at fair value at 31 March 2010.

31 March 2010	**Level 1 Euro**	**Level 2 Euro**	**Level 3 Euro**	**Total Euro**
Non-current assets				
Investments at fair value through profit or loss	-	14,052,447	77,515,737	91,568,184
Current assets				
Options held for trading	-	250,300	-	250,300
Interest rate swaps	-	2,421,883	-	2,421,883
	-	16,724,630	77,515,737	94,240,367

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of options is their quoted market price at the reporting date. These are included in Level 2 of the fair value hierarchy.

The fair values of investments at fair value that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps. The Group applies valuation techniques including swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and current interest rates.

The fair values of investments at fair value, for which there is currently no active market, are calculated using valuation models. The model uses discounted cash flow analysis which incorporates both observable and non-observable data. Observable inputs include broker marks in an active market and prices of comparable assets. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts. The fair value of such instruments is included within Level 3.

There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during the year.

15. Financial instruments (continued)

(c) Liquidity risk (continued)

Valuation of Financial Instruments (continued)
Level 3 reconciliation
The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

Financial assets designated at fair value through profit or loss	**Level 3 Euro**
Balance at 31 March 2009	103,123,597
Total gains and losses recognised in the consolidated statement of comprehensive income for the year	(7,769,899)
Sales	(8,748,702)
Paydowns	(14,877,453)
Payups	5,788,194
Closing balance	**77,515,737**
Unrealised loss on investments classified as Level 3 at 31 March 2010	**(12,437,406)**

(d) Prepayment and re-investment risk

The Group's valuations take into account expected levels of prepayment of the loans that collateralise the securitisation transactions in which the Group has purchased the equity positions. The Investment Manager reviews the prepayment assumptions each quarter and will update as required. These assumptions are considered by review of the underlying loan performance information of the securitisations.

The Group's investments and the assets that collateralise them may prepay more quickly than expected and have an impact on the value of the Group's portfolio. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Group's control and consequently cannot be predicted with certainty. The level and timing of prepayments made by borrowers in respect of the mortgage loans that collateralise certain of the Group's investments may have an adverse impact on the income earned by the Group from those investments.

Early prepayments may also give rise to increased re-investment risk with respect to certain investments, as the Group may realise excess cash earlier than expected. If the Group is unable to reinvest such cash in a new investment with an expected rate of return at least equal to that of the investment repaid, this may reduce the Group's net income and, consequently, could have an adverse impact on the Group's ability to pay dividends.

The Group applied a prepayment rate in the range of 10%-52.75% (2009: 10%-52.75%). The specific prepayment rate applied will vary depending on the type of loan, its seasoning and market conditions. A 10% increase in the prepayment rates of the securities held would have increased the equity of the Group and increased net profit per the consolidated statement of comprehensive income by Euro 623,730 (2009: decrease in equity and increase in net loss of Euro 1,022,301); an equal change in the opposite direction would have increased the equity of the Group and decreased the net loss for the year by an equal but opposite amount.

15. Financial instruments (continued)

(e) Default and severity rates (continued)

While the Group's valuations take into account expected levels of default rates and the expected loss given a default ("severity loss rate"), the Group's investments and the assets that collateralise them may be subject to higher losses through a combination of higher default or severity rates. Default and severity rate risk is managed by the Investment Manager by regular review of the positions held.
The Investment Manager reviews these assumptions each quarter and will update as required. These assumptions are considered by review of the underlying loan performance information of the securitisations.

As prepayment rates above, default and severity rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Group's control and consequently cannot be predicted with certainty. The level and timing of defaults made by borrowers in respect of the mortgage loans that collateralise certain of the Group's investments may have an adverse impact on the income earned by the Group from those investments. Severity rates are the amounts of expected loss were a loan to default.

The Company applies a default rate in the range of 0.4%-4.16% (2009: 0.4%-4.16%). The specific default rate applied will vary depending on the type of loan, its seasoning and market conditions. A 10% increase in the default rates of the securities held would have decreased the equity of the Group and decreased net profit per the consolidated Statement of Comprehensive Income by Euro 2,965,891 (2009: Euro (4,842,211)); an equal change in the opposite direction would have increased the equity of the Group and increased net profit by an equal but opposite amount.

(f) Residual interest risk

The majority of the Group's investments consist of interests in and/or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by or represent ownership in the same pool of assets. In the event of default by an issuer in relation to such investments, holders of the issuer's more senior securities are entitled to payments in priority to the Group. Some of the Group's investments also have structural features that divert payments of interest and/or principal to more senior classes of securities secured by or representing ownership in the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels.

This may lead to interruptions in the income stream that the Group anticipates receiving from its investment portfolio, which may lead to the Group having less income to distribute to Shareholders.

The Group does not control the portfolios of assets underlying the ABS in which it invests and relies on the servicers of the ABS to administer and review the portfolios. Particularly in the case of residual income positions, the actions of the servicer, including its ability to identify and report on issues affecting the portfolio on a timely basis, may affect the Group's return on its investments, in some cases significantly.

In addition, concentration of a significant number of the Group's investments with one servicer could affect the Group adversely in the event that the servicer fails to fulfil its function effectively or at all. In the event of fraud by any entity in which the Group invests or by other parties involved with the entity, such as servicers or cash managers, the Group may suffer a partial or total loss of the amounts invested in that entity.

Although holders of asset-backed securities generally have the benefit of first ranking security (or other priority rights) over any collateral, control of the timing and manner of the disposal of such collateral upon a default typically will devolve to the holders of the senior class of securities outstanding. There can be no assurance that the proceeds of any such sale of collateral are adequate to repay in full the Group's investments.

16. Segmental Reporting

The Group has adopted IFRS 8 'Operating Segments' with effect from 1 April 2009. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The Board of Directors is charged with setting the Group's investment strategy in accordance with the Prospectus. They have delegated the day to day implementation of this strategy to its Investment Manager but retain responsibility to ensure that adequate resources of the Group are directed in accordance with their decisions. The investment decisions of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Manager has been given full authority to act on behalf of the Group, including the authority to purchase and sell securities and other investments on behalf of the Group and to carry out other actions as appropriate to give effect thereto. Whilst the Investment Manager may make the investment decisions on a day to day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager. The Board retains full responsibility as to the major allocation decisions made on an ongoing basis.

The Company has two reportable segments, being the Investment Grade Bond Portfolio and the Residuals Income Portfolio. For each of the sub-portfolios, the Board of Directors reviews internal management reports on a quarterly basis. The Chairman's Statement and Investment Manager's Report further breakdown the Residuals Portfolio into European Mortgages, UK Mortgages and SMEs. Each of these residuals is individually monitored by the Investment Manager and performance analysed separately but all are managed as one sub portfolio. When assets are purchased it does not matter what type of asset it is only whether the asset is suitable for the company's requirements.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/loss, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit/loss is used to measure performance as management believes that such information is the most relevant in evaluating the results. Segment information is measured on the same basis as that used in the preparation of the Group's financial statements

31 March 2010	**Investment Grade Bond Portfolio Euro**	**Residual Portfolio Euro**	**Total**
Income			
Interest income	540,933	15,574,538	16,115,471
Net gain/(loss) from fair value through profit or loss financial instruments	3,381,320	(8,978,130)	(5,596,810)
Reportable segment profit	**3,922,253**	**6,596,408**	**10,518,661**
Reportable segment assets	**14,088,157**	**80,779,827**	**94,867,984**

31 March 2009	**Investment Grade Bond Portfolio Euro**	**Residual Portfolio Euro**	**Total Euro**
Income			
Interest income	810,975	20,544,211	21,355,186
Net loss from fair value through profit or loss financial instruments	(1,696,357)	(75,696,890)	(77,393,247)
Reportable segment loss	**(885,382)**	**(55,152,679)**	**(56,038,061)**
Reportable segment assets	**5,579,646**	**107,570,623**	**113,150,269**

Notes to the Consolidated Financial Statements (continued)

16. Segmental Reporting (continued)

All segment revenues are from external sources. There are no inter-segment transactions between the reportable segments during the year.
Certain income and expenditure is not considered part of the performance of an individual segment. This includes net foreign exchange gains / loss, expenses and interest on borrowings. The following table provides a reconciliation between net reportable income and operating profits.

	31 March 2010 Euro	31 March 2009 Euro
Reportable Segment profit / (loss)	10,518,661	(56,038,061)
Interest income from loans and receivables	10,485	314,223
Net foreign exchange gains	207,102	783,969
Net (losses) / gains on options	(4,218,924)	1,736,133
	6,517,324	**(53,203,736)**
Expenses	(3,700,373)	(4,462,662)
Finance costs	(545,909)	(2,197,946)
Total profit / (loss)	**2,271,042**	**(59,864,344)**

Certain assets and liabilities are not considered to be attributable to a particular segment, these include, other receivables and prepayments, cash and cash equivalents, and derivative financial assets – options held for trading.

The following table provides a reconciliation between net total segment assets and total assets.

	31 March 2010 Euro	31 March 2009 Euro
Total segment assets	94,867,984	113,150,269
Other receivables and prepayments	498,935	357,360
Cash and cash equivalents	15,718,951	18,661,098
Derivative financial assets – options held for trading	250,300	5,858,210
	111,336,170	**138,026,937**

The following is a summary of the movements in the Group's investments analysed by the residual portfolio and the Investment Grade Portfolio:

31 March 2010	**Investment Grade Bond Portfolio Euro**	**Residual Portfolio Euro**	**Total**
Asset-backed securities			
Opening cost	7,229,936	242,880,739	250,110,675
Purchases	12,415,474	-	12,415,474
Sales proceeds	(5,418,136)	(8,748,701)	(14,166,837)
Realised gain/(loss)	1,225,098	(776,264)	448,834
Principal payups	-	5,788,194	5,788,194
Principal paydowns	(1,386,955)	(14,877,458)	(16,264,413)
Closing cost	14,065,417	224,266,510	238,331,927
Unrealised losses	(450,184)	(146,313,559)	(146,763,743)
Asset-backed securities at fair value	13,615,233	77,952,951	91,568,184

Notes to the Consolidated Financial Statements (continued)

16. Segmental Reporting (continued)

31 March 2009	**Investment Grade Bond Portfolio Euro**	**Residual Portfolio Euro**	**Total**
Asset-backed securities			
Opening cost	-	326,365,867	326,365,867
Purchases	7,433,191	-	7,433,191
Realised gain/(loss)	(21,528)	(60,685,294)	(60,706,822)
Principal payups	-	6,106,944	6,106,944
Principal paydowns	(181,727)	(28,906,778)	(29,088,505)
Closing cost	7,229,936	242,880,739	250,110,675
Unrealised losses	(2,022,179)	(139,757,143)	(141,779,322)
Asset-backed securities at fair value	5,207,757	103,123,596	108,331,353

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the countries of the underlying collateral. The SMEs and ABS Bonds have cross border exposures and so these have been grouped into a combined 'Europe' segment, exposures in this segment include UK, Germany, Italy, Spain, Switzerland, The Netherlands. It is not possible to split the reporting further without significant cost with limited benefit to the user of the accounts.

	Segmental Revenues		**Segmental Assets**	
	31 March 2010	**31 March 2009**	**31 March 2010**	**31 March 2009**
Italy	(8,627,656)	(6,104,373)	8,383,724	17,011,379
Portugal	4,965,264	12,676,297	33,197,921	37,398,176
United Kingdom	9,958,869	22,772,473	10,742,343	6,788,980
Europe	4,222,184	(85,382,458)	42,543,996	51,951,734
	10,518,661	**(56,038,061)**	**94,867,984**	**113,150,269**

17. Other liabilities

	31 March 2010 Euro	**31 March 2009 Euro**
Interest payable	42,778	219,492
Due to related parties – Investment Manager (Note 21)	147,854	156,935
Accrued expenses	1,041,157	427,807
	1,231,789	**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 to their fair value.

18. Share capital

The capital structure of the Company consists of cash and cash equivalents, a bank loan and equity attributable to equity holders, comprising issued share capital and reserves, as disclosed on the Consolidated Statement of Financial Position.

The Company does not have any externally imposed capital requirements. At 31 March 2010 the Company had capital of Euro 99,329,841 (2009: Euro 105,585,091).

Notes to the Consolidated Financial Statements (continued)

18. Share capital (continued)

The investment objective of the Company is to provide stable returns to Shareholders in the form of quarterly dividends. It seeks to achieve this by investment in a diversified portfolio of tranches of asset-backed securities.

Where appropriate, the Company may utilise leverage for the purpose of financing its portfolio and enhancing returns to Shareholders. The Company intends to reduce exposure to interest rate and currency fluctuations through the use of currency and interest rate hedging arrangements for the purposes of efficient portfolio management.

The Company aims to deliver its objective by investing available cash and using leverage (in the form of loan financing) whilst maintaining sufficient liquidity to meet on-going expenses and dividend payments.

The risks are managed by the Company's Investment Manager as described in Note 15.

Authorised Share Capital

	31 March 2010 Number of Ordinary Shares	31 March 2010 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 start of year	26,644,657	-	30,706,048	-
Ordinary shares bought back during the year	-	-	(4,061,391)	-
Balance at end of year	26,644,657	-	26,644,657	-

Upon incorporation 2 Ordinary Shares of no par value were issued. On 13 December 2005 the Group issued 22,500,000 Ordinary Shares for subscription in its Initial Public Offering at an Offer Price of Euro 10 per share. In addition, the Group simultaneously issued 17,900,754 Ordinary Shares to Cheyne ABS Opportunities Fund LP (along with transferring the two Ordinary Shares issued on incorporation) in exchange for a portfolio of investments and 220,000 Ordinary Shares were also issued to the Directors.

None of the Company's Ordinary Shares were purchased and cancelled during the year ended 31 March 2010. During the year to 31 March 2009, the Company purchased and cancelled 4,061,391 Ordinary Shares through its buyback programme and previous tender offers at an average price of Euro 4.64 per Ordinary Share.

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 initial Offer Price.

Notes to the Consolidated Financial Statements (continued)

19. Reserves

		31 March 2010	
	Accumulated Reserves	**Capital Reserves**	**Total Reserves**
	Euro	**Euro**	**Euro**
Balance at start of year	**97,912,591**	**7,672,500**	**105,585,091**
Net profit for the year	2,271,042	-	2,271,042
Distribution to the ordinary Shareholders of the Company	(8,526,292)	-	(8,526,292)
Balance at end of year	**91,657,341**	**7,672,500**	**99,329,841**

		31 March 2009	
	Accumulated Reserves	**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	**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 were 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") applicable at the date of cancellation, 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. As discussed in Note 18, during the year ended 31 March 2009 the Company bought back 4,061,391 Ordinary Shares of no par value at an average price of Euro 4.64 per Ordinary Share. No such buy back took place during the year ended 31 March 2010.

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 Consolidated Statement of Financial Position.

Notes to the Consolidated Financial Statements (continued)

20. Notes to Statement of Cash Flows

	Year ended 31 March 2010 Euro	Year ended 31 March 2009 Euro
Net profit/(loss)	2,271,042	(59,864,344)
Adjustments for:		
Net realised (gains)/losses on sale of asset backed securities	(448,834)	60,706,822
Realised losses on options	429,617	840,000
Unrealised losses on investments at fair value through profit or loss	4,984,421	20,204,444
Unrealised losses/(gains) on options	3,789,307	(2,576,133)
Unrealised losses/(gains) on interest rate swap agreements	1,090,897	(3,518,019)
Unrealised losses on foreign currency bank balances	(190,043)	13,354
Unrealised losses on foreign exchange forward contracts	-	990,215
	11,926,407	16,796,339
Purchases of asset-backed securities	(12,415,474)	(7,433,191)
Sales proceeds from asset backed securities	14,166,837	-
Purchases of options	-	(1,950,602)
Options matured	1,388,986	-
Principal payups	(5,788,194)	(6,106,944)
Principal paydowns	16,264,413	29,088,505
	13,616,568	13,597,768
Decrease in receivables	286,644	732,245
Increase/(decrease) in payables	427,555	(184,153)
	714,199	548,092
Net cash inflow from operating activities	26,257,174	30,942,199

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.

21. 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 both the Company and Trebuchet Finance Limited have 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 Notes 7 and 17). During the year ended 31 March 2010, the Management Fee totalled Euro 1,766,563 (2009: Euro 2,617,240), of which Euro 147,854 (2009: Euro 156,935) was outstanding at the year end. There was no incentive fee charged during the year ended 31 March 2010 or 31 March 2009.

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 High Grade ABS CDO Ltd. and Cheyne CLO Investments I Limited). The Management Fee is calculated and payable monthly in arrears.

Notes to the Consolidated Financial Statements (continued)

21. 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 2009, 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.

There was no incentive fee charged during the year ended 31 March 2010 or 31 March 2009.

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.

Notes to the Consolidated Financial Statements (continued)

21. Material agreements and related party transactions (continued)

Investment Manager Options (continued)
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 31 March 2010, 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, a Company that is also managed by Cheyne Asset Management (UK) LLP, has a controlling interest in the Company.

22. Significant Events during the year

During the year the Company paid back Euro 20,863,072 of the loan, leaving a loan amount outstanding at 31 March 2010 of Euro 8,642,967.

On 3 March 2010, the Company sold the Magellan 2 ABS portfolio at a price exceeding its 31 December 2009 valuation.

23. Subsequent Events

On 6 April 2010 the Company paid back the remaining EUR 8,642,967 and all interest due, terminating any further liabilities under the loan facility.

On 28 May 2010, the Company sold the Gate 06-1 SME portfolio at a price that exceeded the 31 March 2010 valuation.

24. Foreign Exchange Rates

The following foreign exchange rates relative to the Euro were used as at 31 March 2010:

British pound	0.89202
US Dollar	1.35310

The following foreign exchange rates relative to the Euro were used as at 31 March 2009:

British pound	0.92629
US Dollar	1.32770

25. Approval of the Consolidated Financial Statements

The financial statements were approved by the Directors on 10 June 2010.

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