

Regulatory Story

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Kingswalk Investments Limited

Audited results for the year ended 31 December 2009

Kingswalk Investments Limited (AIM: KWI), the strategic investment company, today announces its audited results for the year ended 31 December 2009.

DIRECTORS' REPORT

Introduction

We are pleased to present this annual report of Kingswalk Investments Limited ("Kingswalk" or the "Company") to shareholders for the year ended 31 December 2009.

Background

The Company was set up in 2004 as a Guernsey based pre-IPO strategic investment company and was admitted to AIM in 2005. During the course of the next few years, the Company made a number of successful investments in businesses preparing for flotations in a wide range of sectors, including financial services, property, retail and support services. During the onset of the credit crisis in 2007, the lack of available funding for these businesses at the time, both in terms of equity and debt finance, ultimately resulted in a large proportion of the Company's investments becoming worthless as the companies either entered administration or were sold at low valuations at the bottom of the cycle. This resulted in significant write downs of the value of investments during 2007 (approximately £3.3 million) and 2008 (approximately £3.6 million).

During 2009, the Company underwent some material changes such as a new management team being appointed, new shareholders being brought in, the Company's name being changed from Equity Pre-IPO Investments Limited and the Company's investment strategy being broadened to include the ability to invest in both public and private companies and also to permit Kingswalk to acquire companies in their entirety as well as being able to continue to make minority investments. The Company's management is now actively reviewing potential investment opportunities and hopes to be able to make a significant investment during the second half of 2010. Any investment will require the Company to raise new equity funds.

Financial Review

During the year under review, the Company did not make any new investments and realised one investment entirely for £100,000, the proceeds of which were used to partly repay Kingswalk's outstanding borrowings at the time of £115,000. The Company ended the year with one quoted investment valued at approximately £90,000, part of which has been sold post the year end to meet ongoing running costs. Investments made in previous years by previous management were written down to zero during 2008 and therefore were carried forward at zero value during 2009.

The loss for the year was £259,916 (2008: £3,737,827), made up of net losses on the carrying value of the one remaining investment of £64,277 (2008: £3,598,699) and administration costs for the year of £195,639 (2008: £581,949, including £210,000 loan write off).

The value of net assets improved marginally at the year end to £76,118 (2008: £43,356). The Company's balance sheet was further simplified during 2009 with outstanding loans and trade creditors either being repaid or converted into new ordinary shares of 1 pence in the Company ("Ordinary Shares"). At the year end, the Company had cash balances of £26,816 (2008: £880) and zero debt (2008: £115,000). The Company today announces that it has entered into a new secured two year convertible loan facility ("June Facility") with a lender for up to £150,000, £25,000 of which has been drawn down to meet the Company's ongoing running costs. The June Facility is to be used by the Company to pay its ongoing running costs until suitable investments have been made and further equity funds raised. Amounts drawn down under the facility can, at the option of the lender, be converted into new Ordinary Shares at a price of 1p per Ordinary Share. The Directors estimate that the normal annual running costs of the Company total approximately £130,000, and therefore the June Facility provides the Directors with sufficient comfort as to the Company's ability to meet its obligations as they fall due for at least the next 12 months.

During the year, the Company issued an aggregate 29,267,772 new Ordinary Shares to end the year with 42,505,007 Ordinary Shares in issue. In June 2009, the Company issued and allotted 19,018,392 new Ordinary Shares, 15,018,392 of which were issued in settlement of £150,184 of outstanding debts owed by the Company to its suppliers and advisers and 4,000,000 of the new Ordinary Shares were issued to raise new funds for the Company totalling £40,000. In December 2009, the Company issued and allotted a further 10,249,380 new Ordinary Shares in order to settle a loan facility of £100,000, plus interest of £2,494. At the same time as entering into the June Facility, the Company has issued a new warrant instrument to the lender agreeing to issue up to 15,000,000 new Ordinary Shares at an exercise price of 1p per Ordinary Share ("Warrant"). The Warrant has a 2 year exercise period and could raise up to a further £150,000 in cash for the Company.

Investment Policy

The Company's investment policy is the policy that was approved by its shareholders at the 2009 annual general meeting ("2009 AGM"). This policy allows the Company to invest in a broad range of listed and unlisted businesses. The Company's investment policy allows the Board to continue to evaluate potential investments from a wide variety of industry sectors and the Company will seek investments in sectors where there is potential for growth. This is likely to include sectors such as financial services, support services and property, where values remain soft. The Company will primarily focus on European and US-based businesses but will also consider investments in other geographical areas if appropriate. Over the last 6 months, the Company's management and advisers have appraised a number of companies in detail with a view to making an investment and have undertaken extensive due diligence exercises in respect of two of these. One of these companies operates in the security sector (a security installation and maintenance service contract business) with potentially attractive opportunities for consolidation and the other in the financial services sector (a business owning equity stakes in a wide range of collateralised loan obligation vehicles ("CLOs") which provide attractive returns) with a view to taking advantage of the current low valuations of CLOs by raising further investment monies to acquire more equity stakes. Either or both investments may still be made but, at this time, the management and its advisers are making further enquiries in respect of both businesses.

Before the Company's 2009 AGM, the Company could only invest in privately held companies, however, the Company has now broadened its investment criteria to include publicly quoted companies and partnerships. The Company does not seek to limit the size of the investment or the size of the entities in which it invests and does not limit the percentage ownership that it may hold in any one company at any time. Accordingly, the Company's investment policy permits the Company to make investments of up to, and including, 100% of businesses.

The Company will not seek to have a fixed number of investments or seek to diversify the investments over particular sectors or particular indexes, however it is envisaged that the total number of investments at any given time will not exceed 30 investments. The Company will instead generally focus on diversifying the relative risks of investments. The Company does not intend at this stage to gear its investments but may consider doing so in the future if suitable funding arises.

Subject to seeking further finance for further investment purposes, the Directors continue to review investment opportunities.

The Company will generally be a passive investor in the entities in which it invests but if the Board or the Company's consultants are able to add value to the investee entity then the Company may take a more active stance. The Company's investment decisions will be based upon research prepared and presented to the Board by its panel of research consultants and advisers.

Director Changes

As previously announced, on 30 July 2009, the Company's board of directors changed with the appointments of Paul Everitt and Roger Parry replacing Martin Shires and Paul Schreibeke. In addition, two further non-executive directors were appointed to the board, Guus Berting in June 2009 and Daan van den Noort in January 2010, who replaced Jonathan Freeman who stepped down at the same time to focus on his other business interests.

Annual General Meeting

The Company's Annual General Meeting ("AGM") is to be held at its registered office, being Roseneath, The Grange, St Peter Port, Guernsey, GY1 3SJ on 30 July 2010 at 12:00 noon. The notice of AGM, together with a form of proxy for use at the AGM has today been sent to shareholders.

Outlook

Overall trading conditions remain challenging across the wider economy, not just the financial sector, with evidence of a slowing down in the recent pace of recovery and continued low levels of lending to businesses by the banks. Notwithstanding this, the Directors believe that there are good quality businesses currently seeking investment capital and opportunities to partner up with businesses that can provide significant returns to the investors. With the continued support of the Company's shareholders, the Directors hope to make further investments during the course of 2010 to take advantage of the current stage of the economic cycle.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	For the year ended 31 December 2009			For the year ended 31 December 2008		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
LOSSES ON INVESTMENTS							
Net losses on investments at fair value through profit or loss	3	-	(64,277)	(64,277)	-	(3,598,699)	(3,598,699)
		<u>-</u>	<u>(64,277)</u>	<u>(64,277)</u>	<u>-</u>	<u>(3,598,699)</u>	<u>(3,598,699)</u>
INCOME	1(b)						
Interest income		-	-	-	13,770	-	13,770
Loan waiver	8	-	-	-	-	429,051	429,051
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,051</u>	<u>429,051</u>

	-	-	-	13,770	429,051	442,821
EXPENDITURE 1(e)						
Loan write off	-	-	-	-	210,306	210,306
Directors' fees	4,226	-	4,226	15,000	-	15,000
Administration fees	75,089	-	75,089	50,939	-	50,939
Professional fees	48,774	-	48,774	26,890	-	26,890
Consultancy fees	-	44,998	44,998	-	154,220	154,220
Audit fee	13,370	-	13,370	11,500	-	11,500
Interest expense 4	3,333	-	3,333	77,362	-	77,362
Regulatory and registration fees	5,849	-	5,849	12,588	-	12,588
Loss on foreign exchange	-	-	-	23,144	-	23,144
	<u>150,641</u>	<u>44,998</u>	<u>195,639</u>	<u>217,423</u>	<u>364,526</u>	<u>581,949</u>
FOR THE FINANCIAL YEAR	(150,641)	(109,275)	(259,916)	(203,653)	(3,534,174)	(3,737,827)
- basic						
(pence per share) 6	(0.64)	(0.46)	(1.10)	(1.54)	(26.70)	(28.24)

LOSS ON ORDINARY ACTIVITIES

Loss per share:

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

The Company has no recognised gains or losses other than those shown in the Income Statement.

BALANCE SHEET

31 DECEMBER 2009

	Note	31 December 2009	31 December 2008
		£	£
FIXED ASSETS			
Investments at fair value through profit or loss	3	86,962	251,239
CURRENT ASSETS			
Other debtors and prepayments		1,725	-
Cash and cash equivalents		26,816	880
		<u>28,541</u>	<u>880</u>
CREDITORS - AMOUNTS FALLING			
DUE WITHIN ONE YEAR			
Loans payable	8	-	(115,000)
Other creditors and accruals	9	(39,385)	(93,763)
		<u>(39,385)</u>	<u>(208,763)</u>
NET CURRENT LIABILITIES		(10,844)	(207,883)
TOTAL ASSETS LESS CURRENT LIABILITIES		76,118	43,356
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	11	425,050	132,372
SHARE PREMIUM ACCOUNT	12	4,254,872	4,254,872
RESERVES		(4,603,804)	(4,343,888)
EQUITY SHAREHOLDERS' FUNDS		76,118	43,356
Net asset value per share	7	0.18	0.33
(pence per share)			

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

		For the year ended	For the year ended
	Notes	31 December 2009	31 December 2008
		£	£
Net cash outflow from operating activities	10(a)	(251,742)	(317,270)
Return on investments and servicing of finance	10(b)	-	(32,343)
Capital expenditure and financial investment	10(c)	100,000	243,484

Cash outflow before financing		(151,742)	(106,129)
Financing	10(d)	177,678	100,358
Increase / (decrease) in cash for the year	10(e)	25,936	(5,771)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share		Revenue	Reserves	Total
	Share	Premium			
	Capital	Account	Capital		
	£	£	£	£	£
Balance at 1 January 2008	132,372	4,254,872	(530,409)	(75,652)	(606,061)
Net return for the year	-	-	(203,653)	(3,534,174)	(3,737,827)
Balance at 1 January 2009	132,372	4,254,872	(734,062)	(3,609,826)	(4,343,888)
Net return for the year	-	-	(150,641)	(109,275)	(259,916)
Issue of shares in the year	292,678	-	-	-	-
Balance at 31 December 2009	425,050	4,254,872	(884,703)	(3,719,101)	(4,603,804)

Included in the revenue reserve carried forward is £33,680 in relation to share options.

Notes to the Financial Statements

31 December 2009

1 ACCOUNTING POLICIES

(a) CONVENTION

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable United Kingdom accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by The Association of Investment Trust Companies in January 2009. The principal accounting policies which the Directors have adopted within that convention are set out below.

(b) INCOME

Dividends receivable from equity investments are recognised on the ex-dividend date. Dividends receivable from equity investments where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established. Interest receivable on cash deposits is accounted for using the effective interest rate method.

(c) FOREIGN CURRENCY

The Directors have considered and will continue to consider the primary economic environment of the Company and have considered and will continue to consider the currency in which the original finance was raised and ultimately what currency would be returned to investors on a break up basis. The directors have also considered the currency to which the underlying investments are exposed. On balance, the directors believe sterling best represents the functional currency of the Company. Sterling is also the presentational currency.

Assets and liabilities denominated in currencies other than sterling (where relevant) have been translated into sterling at the rates of exchange ruling at the balance sheet date. No transactions were made during the period under review in currencies other than Sterling and when, in the past, transactions have been made in currencies other than Sterling, those transactions have been translated at the rates of exchange ruling at the date of that transaction.

(d) FINANCIAL INSTRUMENTS

The Company's financial instruments fall into the categories discussed below with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Company's financial instruments are a reasonable approximation of their fair values.

(i) Investments held at fair value through profit or loss

Classification

All investments are classified as "fair value through profit or loss". These financial assets are designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets designated at fair value through profit or loss at inception

are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition

Purchases and sales of investments are recognised on the trade date or the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets at fair value through

profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement in the period in which they arise.

Fair value estimation

Quoted investments are valued at bid price.

Unquoted investments are valued by the Board according to the valuation principles of the European Private Equity and Venture Capital Association as set out in the International Private Equity and Venture Capital Valuation Guidelines (Published June 2005, amended October 2006). Currently and as at 31 December 2009, the Company's unquoted investments are valued at nil (2008: £ 100,000) due to the companies being in administration.

Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from the realisable values, and differences could be material.

Realised gains or losses on the disposal of investments are taken to the capital reserve - realised. Unrealised gains or losses on revaluation of investments are taken to the capital reserve - unrealised.

(ii) Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They consist of loans receivable, other debtors and cash and cash equivalents, but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

(iii) Financial liabilities measured at amortised cost

These include;

other creditors and accruals which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method; and

loans payable which are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

Other creditors and accruals primarily comprise of amounts outstanding for ongoing costs. The Company has a financial risk management procedure in place to ensure all payables are paid within the credit timeframe.

(iv) Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate,

including transaction costs and all other premiums or discounts.

(e) EXPENDITURE

All expenses are accounted for on an accruals basis. Expenses that are directly attributable to the management of investments are allocated directly to capital in the Income Statement. With the Directors' long term target for returns on investments being entirely capital gain there is no requirement to apportion these expenses between revenue and capital.

(f) SHARE BASED PAYMENTS

The Company has applied the requirements of FRS 20: Share-based Payments.

The Company makes equity-settled share-based payments to certain consultants. Equity-settled share based payments are measured at fair value as at the date of grant. The fair value determined at grant date is expensed on a straight line basis over the period the service was received. Further details of how the fair value of share based payments is determined are shown in note 14.

(g) GOING CONCERN

The directors have reviewed the current budgets and cash flow projections for a period of more than 12 months from the date of this report. The forecasts take into account the loan facility of £150,000, of which £25,000 has been drawn down, post year end and the potential sale proceeds from a disposal of the Company's existing quoted investment of not less than £50,000.

Various additional sources of additional financing have been considered by the directors including raising of fresh equity. A final decision regarding the source of further financing has not yet been made, however, the directors are confident that sufficient cash will be raised by the company to pay its future liabilities.

Accordingly the directors have prepared the financial statements on the going concern basis.

2 TAXATION

The company has been granted exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989, and is therefore subject to the payment of an annual fee which is currently £600.

3 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2009	31 December 2008
Designated at fair value through profit or loss	£	£
- Listed equity securities	86,962	151,239
- Unlisted investments	-	100,000
	-----	-----
Total investments at fair value through profit or loss	86,962	251,239

The net disposal proceeds realised from the sale of the Company's unlisted investment during 2009 was £100,000. This investment had been acquired in 2004 at a cost of approximately £650,000.

	31 December 2009	31 December 2008
Changes in fair value of financial assets	£	£
at fair value through profit or loss.		
- Realised - disposed of during the year	-	(1,055,234)
- Unrealised - held at the year end	(64,277)	(2,543,465)
	-----	-----
	(64,277)	(3,598,699)

4 INTEREST EXPENSE

	31 December 2009	31 December 2008
	£	£
Bank interest and charges (note 5)	-	685
Loan interest (note 5)	3,333	76,677
	-----	-----
Total	3,333	77,362

The above loan interest charges in 2009 were satisfied through the issue of new Ordinary Shares in the Company on 8 December 2009 (see note 11). The above interest expense arise on financial liabilities measured at amortised cost using the effective interest rate method (see note 8 for further details).

5 NET GAINS OR LOSSES ON FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

	31 December 2009	31 December 2008
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	£	£
Bank interest and charges (note 4)	-	685
Loans interest (note 4)	3,333	76,677
Loans waived (note 8)	-	(429,051)
	<u> </u>	<u> </u>
Net (gain) / loss	3,333	(351,689)

6 LOSS PER SHARE

The calculation of basic earnings per share is based on the net return on ordinary activities after tax for the year and on 23,730,924 shares (2008: 13,237,235) being the weighted average number of shares in issue during the year.

FRS 22: "Earnings Per Share" defines dilution as a reduction in earnings per share or as an increase in loss per share. When calculating the diluted loss per share for the year the loss decreased. Accordingly the diluted loss per share is not disclosed as per FRS 22. The Company has 800,000 share options in issue which could potentially dilute basic earnings per share in the future - see note 14.

7 NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of £76,118 (2008: £43,356) and on the ordinary shares in issue of 42,505,007 (2008: 13,237,235) at the balance sheet date.

8 LOANS PAYABLE

	31 December 2009	31 December 2008
	£	£
Loan	-	115,000
	<u> </u>	<u> </u>
Total Loans	-	115,000
	<u> </u>	<u> </u>

The loan outstanding at 31 December 2008 was secured and repayable on demand and bore interest at 3% above GBP base rate per annum.

During 2008, the Company reached an agreement with the lender, whereby the loan and accrued interest of £741,908 was reduced to £312,857 by the waiver of £429,051 of the outstanding balance. Prior to the year ended 31 December 2008, £197,857 was repaid with the balance of £115,000 being paid during 2009. In February 2009, the Company took on new borrowings to pay the Company's ongoing running costs. In December 2009, the aggregate value of loans and interest outstanding of £102,494 were converted into new ordinary shares of 1 pence each in the company. There were no borrowings outstanding at 31 December 2009.

9 OTHER CREDITORS AND ACCRUALS

	31 December 2009	31 December 2008
	£	£
Audit fees	12,000	10,000
Consultancy fees	6,604	72,570
Professional fees	-	5,000
Nomad fees	8,250	-
Registrar fees	4,984	2,193
Administration fees	7,522	4,000
Sundry creditors	25	-
	<u> </u>	<u> </u>
	39,385	93,763

10 NOTES ON THE CASH FLOW STATEMENT

(a) Reconciliation of revenue loss to net cash outflow from operating activities

	31 December 2009	31 December 2008
	£	£
Net revenue loss on ordinary activities for the year	(150,641)	(203,653)
Expenses charged to capital	(44,998)	(154,220)
(Increase) / decrease in debtors	(1,725)	1,875
Increase / (decrease) in creditors	(54,378)	38,728

Net cash outflow from operating activities	(251,742)	(317,270)
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(b) Returns on investments and servicing of finance

	31 December 2009	31 December 2008
	£	£
Loan interest paid	-	(18,788)
Loan interest received	-	(13,555)
Net cash outflow from returns on investments and servicing of finance	-	(32,343)

(c) Capital expenditure and financial investment

	31 December 2009	31 December 2008
	£	£
Receipts from sale of unquoted investments	100,000	243,484
Net cash inflow for capital expenditure and financial investment	100,000	243,484

(d) Financing

	31 December 2009	31 December 2008
	£	£
Loans payable repaid	(115,000)	-
Loans receivable repaid	-	100,358
Issue of equity share capital	292,678	-
Net cash inflow from financing	177,678	100,358

(e) Reconciliation of net cash flow to movement in net funds

	31 December 2009	31 December 2008
	£	£
Increase / (decrease) in cash for the year	25,936	(5,771)
Cash inflow from (increase)/decrease in debt finance	115,000	(47,782)
Change in net debt resulting from cash flows	140,936	(53,553)
Loans waived	-	429,051
net (debt) / funds at 1 January 2009	(114,120)	489,618
Net funds / (debt) at 31 December 2009	26,816	(114,120)

(f) Analysis of net debt At 1 January 2009 Cashflow Other At 31 December 2009

	£	£	£	£
Cash and cash equivalents	880	25,936	-	26,816
Loan payable	(115,000)	-	115,000	-
	(114,120)	25,936	115,000	26,816

11 CALLED UP SHARE CAPITAL

	31 December 2009	31 December 2008
	£	£
Authorised		
200,000,000 ordinary shares of £0.01 each	2,000,000	500,000

Allotted and fully paid

42,505,007 ordinary shares of £0.01 each

(2008: 13,237,235) 425,050 132,372

On 25 June 2009, the Company issued and allotted 19,018,392 new ordinary Shares of 1 pence each ("Ordinary Shares"). 15,018,392 of the new Ordinary Shares were issued in settlement of £150,183 of outstanding debts owed by the Company and 4,000,000 of the new Ordinary Shares were issued to raise new funds for the Company totalling £40,000. On 8 December 2009, the Company issued and allotted 10,249,380 new Ordinary Shares in settlement of £102,493.80 of outstanding loan and interest owed by the Company.

12 SHARE PREMIUM ACCOUNT

As at 1 January 2009 and at 31 December 2009 £ 4,254,872

13 RELATED PARTY TRANSACTIONS

On 9 February 2005 and as disclosed in the AIM Admission Document dated 18 February 2005, Combined Management Services Limited ("CMS") entered into a services agreement with the Company under the terms of which CMS agreed to provide research, consultancy, office management and administration services to the Investment Advisory Panel. CMS charged the Company a total of £54,435 for the year to 31 December 2009 (£111,270 for the year to 31 December 2008), of which £3,272 (2008: £41,769) remained unpaid at the year end. Jonathan Freeman, who served as a director of the Company during 2009, resigning on 27 January 2010, owns 50% of CMS.

Up until 30 July 2009, the Company had entered into an Administration Agreement with Intertrust Fund Services (Guernsey) Limited which included the provision of the services of two Directors up until that date. From 30 July 2009, the Company entered into a new Administration Agreement with Fund Corporation of the Channel Islands Limited ("Fund Corp") and the provision of two directors to the Company is not part of that Administration Agreement. The fees paid to the Administrator are shown on the face of the income statement and the amount unpaid at the year end is shown in note 9. Paul Everitt and Roger Parry, who served as directors of the Company during 2009, are directors of Fund Corp and own 28% and 12% of Fund Corp, respectively. There were no Directors' fees unpaid at 31 December 2009 and 2008.

14 SHARE OPTIONS

At 31 December 2009 the number of ordinary shares of 1 pence each subject to options granted under the Company's Share Option Plan were:

Exercise Period	Exercise Price per Share	01-Jan 2009 during year	Grants during year exercised	Options exercised	31-Dec 2009	31-Dec 2008
		No.	No.	No.	No.	No.
						Exercisable
30 November 2007 - 26.0 pence		50,000	-	-	50,000	50,000
30 May 2017						
1 December 2007 - 26.0 pence		750,000	-	-	750,000	750,000
1 June 2017		800,000	-	-	800,000	800,000

Share options were granted for services provided in previous periods and are exercisable at the holders' discretion. There were no share-based payment charges during the years ending 2008 and 2009.

15 FINANCIAL INSTRUMENTS

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company has, and may continue to, invest in companies which are unquoted or trading on AIM at the time of the investment and where the Directors believe that a flotation is likely to be achieved by the company within eighteen months of an investment by the Company. Investee companies will be principally located

in Europe and the US.

Investments

All of the Company's intended investments present the risk of a loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions including, but not limited to, international economic conditions, international financial policies and performance, governmental events and changes in laws. Moreover, the Company may only have a limited ability to vary its investments in response to changing economic, financial and investment conditions.

The success of the Company will be dependent upon, inter alia, the identification, making, management and realisation of suitable investments. There can be no guarantee that such investments can or will be made or that such investments will be successful. Poor performance by an investment could severely affect the Net Asset Value per share. In particular, investors should note that:-

- * Shareholders will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Directors and, accordingly, will be dependent on the judgement and ability of the Directors in investing and managing the assets of the Company. No assurance can be given that the Directors will be successful in making suitable investments or that, if such investments are made, the investment objectives will be achieved;
- * the Company may have minority interests in the companies, partnerships and ventures in which it invests ("Investments") and may be unable to exercise control over the operations of such Investments or control over any exit, or timing of any exit, by other investors in such Investments;
- * the management of the investee companies targeted by the Directors may not always welcome proactive shareholder involvement and may be resistant to change;
- * the Company may be unable to effect an investment in an identified opportunity and, in particular, resources of the Company may be expended investigating potential projects which are subsequently rejected as being unsuitable;
- * the Company may dispose of investments in certain circumstances and may be required to give representations and warranties about those investments and to pay damages to the extent that such representations and warranties turn out to be inaccurate or other terms of sale are breached;
- * an investee company's competitors may develop or market technologies that are more effective or less expensive than those developed or marketed by the investee company, or that would render the investee company's technology or business model obsolete or uncompetitive;
- * the Company cannot guarantee that the value of investments as reported from time to time will in fact be realised; and
- * although the Directors will use all due care and diligence when implementing the investment strategy, the situation may arise whereby an unquoted investee company does not proceed with a successful IPO or trade sale. In such instance, the Company may find it difficult to achieve an exit, or may do so at a loss to the initial investment, or may lose the entirety of its investment.

Investments in small unquoted and quoted companies

It is intended that the Company's investment portfolio will comprise interests predominantly in growth companies and companies with an AIM listing which may be difficult to value and/or realise. Investment in the securities of smaller companies may involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may have limited product offerings, markets or resources and may be dependent on a small number of key individuals. As at 31 December 2009, the Company's holding of unquoted investments was valued at £nil (2008: £100,000).

Concentration risk

It is possible that certain investments will represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will be adversely affected to a greater degree if anyone of those investments were to perform badly than would be the case if the Company's portfolio of investments was more diversified.

At 31 December 2009 the overall investment allocation was one investment in a quoted company and three investments in unquoted investments. All three of the unquoted companies in which the Company has an investment were in administration at the year end and remain so at the date of this document, leaving only one quoted investment in the portfolio with a year end valuation of approximately £0.09 million (2008: £0.15 million).

(b) Market risk

The Company operates in a competitive market for investment opportunities. While the Directors consider the smaller companies' market to be an attractive area for investment, it is nonetheless likely that the Directors will encounter competition for target investments from investors many of which will have significantly greater resources than the Company. There can be no assurance that these competitive pressures will not have a material adverse effect on the Company's business, financial condition and results of operations. As a result of this competition, the Directors may not be able to take advantage of attractive investment opportunities from time to time. Furthermore the Directors can offer no assurance that they will be able to identify and make investments that are consistent with the Company's investment strategy.

bi) Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. As result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any cash and cash equivalents are invested at short-term market interest rates.

The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Company's exposure to interest rate risks.

	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
	£	£	£	£
As at 31 December 2009				
Assets				
Investments at fair value through profit or loss	86,962	-	-	86,962
Cash and cash equivalents	-	26,816	-	26,816
	-----	-----	-----	-----
Total financial assets	86,962	26,816	-	113,778
Liabilities				
Sundry creditors and accruals	39,385	-	-	39,385
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Total financial liabilities	39,385	-	-	39,385

The terms, including the interest rate, of the loan payable are disclosed in note 8.

	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
	£	£	£	£
As at 31 December 2008				
Assets				
Investments at fair value through profit or loss	251,239	-	-	251,637
Cash and cash equivalents	-	880	-	880
	-----	-----	-----	-----
Total financial assets	251,239	880	-	252,517
Liabilities				
Loan payable	115,000	-	-	115,000
Sundry creditors and accruals	93,763	-	-	93,763
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Total financial liabilities	208,763	-	-	208,763

The Company is not exposed to any significant interest rate risk.

bii) Hedging and currency risk

The majority of the Company's investments are expected to be denominated in pounds sterling. The Directors may invest in opportunities other than sterling and may, through forward foreign exchange contracts, hedge its exposure back to sterling. While hedging may attempt to reduce currency risk, it is not possible to hedge fully or perfectly against currency fluctuations. Accordingly investors may, at certain times, be exposed to exchange rate risks between sterling and other currencies, such that if the value of other currencies falls relative to sterling, the Company's assets will, in sterling terms be worth less.

biii) Other price risk

Other price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate 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 Company's financial instruments are carried at fair value with changes in value recognised in the Income Statement, all changes in market conditions will directly affect net investment income.

The table below details the breakdown of the investment assets held by the Company

	31 December 2009		31 December 2008	
	Value	% of Net	Value	% of Net
	£	Assets	£	Assets
Investment assets				
Equity investments:				
° Listed equities	86,962	118.19%	151,239	348.83%
° Unlisted equities	-		100,000	230.65%
	<u>86,962</u>		<u>251,239</u>	

Investment liabilities

At the year end the equity investment held by the Company was listed. A 5% increase in the fair value of all investments at 31 December 2009 would have increased the net assets attributable to shareholders by £4,348 (2008: £12,562): an equal change in the opposite direction would have decreased the net assets attributable to shareholders by an equal but opposite amount.

(c) Liquidity risk

The Company's financial instruments include unlisted equity instruments, some of which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements.

The Company has a procedure to manage liquidity risk whereby the board meet regularly to review investment holdings and current and anticipated levels of financial liabilities. Where liquidity of the investments within the portfolio is believed to be at a level which may adversely affect the Company's ability to service its financial obligations, the board will consider taking action to improve cash flow, which may include utilising bank overdrafts or other credit arrangements.

The table below details the contractual, undiscounted cash flows of the Company's financial liabilities

	Less than 1 month	1-3 months	3 months to 1 year	No stated maturity
	£	£	£	£
31 December 2009				
Financial liabilities				
Sundry creditors and accruals	39,385	-	-	-
	<u>39,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	38,385	-	-	-
	<u>38,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2008				
Financial liabilities				
Loans payable	115,000	-	-	-
Sundry creditors and accruals	93,763	-	-	-
	<u>208,763</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	208,763	-	-	-
	<u>208,763</u>	<u>-</u>	<u>-</u>	<u>-</u>

The gross nominal outflow disclosed above is the contractual, undiscounted cash flow on the financial liability or commitment.

Amounts in the above table are based on the carrying value of all accounts.

The Company has a procedure to manage liquidity risk whereby the board meets regularly to review credit positions.

d) 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 Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31 December 2009	31 December 2008
	£	£
Other debtors	1,725	-
Cash and cash equivalents	26,816	880
Total	28,541	880

16 POST BALANCE SHEET EVENTS

The Directors consider that there are no events not disclosed elsewhere in this report that require disclosure as post balance sheet events.

The Company's Report and Accounts for the year ended 31 December 2009 will be posted to shareholders today and the full report is available to view and download from the Company's website at www.kingswalkinvestments.com.

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