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Kingswalk Investments Limited

Audited results for the year ended 31 December 2010

Kingswalk Investments Limited (AIM: KWI), the strategic investment company, today announces its audited results for the year ended 31 December 2010.

DIRECTORS' REPORT

Introduction

We are pleased to present the results of Kingswalk Investments Limited ("Kingswalk" or the "Company") to shareholders for the year ended 31 December 2010.

Background

Following the Company's reorganisation in 2009, 2010 was the year in which the platform was created to allow the Company to take in new funds for investment and carry out its investment strategy as approved by its shareholders at the 2010 annual general meeting ("2010 AGM"). During the period under review, the Company made one investment in a Dutch security equipment installation and maintenance firm operating in Rotterdam and, in January 2011, the Company successfully raised £0.8 million in new equity funds and made its second material investment, in a UK-based management and corporate consultancy. The Company's management is now actively reviewing potential investment opportunities and expects to be able to make significant investments during the rest of 2011.

Fundraising and investments

In January 2011, the Company raised £800,000 before expenses through the issue of 40,000,000 new ordinary shares of 1 pence each in the capital of the Company ("Subscription Shares") via a subscription at 2 pence per Subscription Share to existing and new shareholders. In line with the Company's broad investment strategy, the directors intend to invest the net proceeds in private and quoted companies across a wide range of sectors, including financial services, support services and resources. The expected investment size is likely to be between £50,000 and £250,000 and the Company anticipates undertaking a more active investment style, with the aim of recycling funds invested at the earliest opportunity.

At the year end, the Company had two investments, a legacy holding in an AIM quoted company and the new 49.9% investment in Vermeesch Installaties BV ("Vermeesch"), the Rotterdam-based security equipment installation and maintenance firm which was completed in September. In the year ended 31 December 2010, Vermeesch recorded turnover of €860,000 (2009: €932,000). The board of Kingswalk ("Board") intend to assist Vermeesch to grow and potentially use it as a consolidation vehicle in its highly fragmented sector.

In January 2011, the Company acquired the entire issued share capital of Combined Management Services Limited ("CMS"). CMS is a UK based management and corporate consultancy providing corporate solutions to private and quoted companies. Set up in 2005, CMS generated turnover of more than £500,000 in the year ended 31 December 2010 and profits of approximately £10,000 in the same period. The Board intends to provide growth capital to CMS to allow it to take on additional high quality professionals, including additional corporate lawyers, corporate financiers and qualified accountants to satisfy the strong demand that its offering is generating. A key part of Kingswalk's strategy of investing in CMS is to provide access to investment opportunities in small cap and growth companies for the Company. The Company is pleased to report that trading in CMS during the first four months of 2011 has been strong, with a number of new clients and corporate transaction mandates secured.

Financial Review

The Company's reported loss for the year was reduced significantly to £141,887 from £259,916 the previous year. Administration costs for 2010 were reduced by almost 25% to £149,965 (2009: £195,639) and the net loss on the carrying value of the quoted investment was £3,382 (2009: £64,277).

The value of net assets at the year end improved to £134,231 (2009: £76,118), primarily as a result of the investment in Vermeesch. At the year end, the Company had cash balances of £681 (2009: £26,816) and £25,000 debt (2009: £0). The fundraising carried out in January 2011 allowed the Company to repay all creditors and debts post the year end.

During the year, the Company issued 10,666,666 new ordinary shares of 1 pence each ("Ordinary Shares") to end the year with 53,173,673 Ordinary Shares in issue (2009: 42,505,007). 4,666,666 of these Ordinary Shares were issued as consideration for the investment in Vermeesch and 6,000,000 Ordinary Shares were issued to repay loans taken out during 2010.

Investment Policy

The Company's investment policy is the policy that was approved by its shareholders at the 2010 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 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, resources and property, amongst others, where the Directors believe significant value resides. 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 12 months, the Company's management and advisers have appraised a number of companies in detail with a view to making investments and have undertaken extensive due diligence exercises in respect of a number of these. The Company made one new investment in September 2010 and another in January 2011. Both investee companies are trading in line with management's expectations.

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.

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 appointed advisory panel of research consultants and advisers.

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 29 June 2011 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 and isolated macro-level events understandably impact on investment decisions. Notwithstanding this, the Directors believe that now is the right time to be investing in small growth companies that need access to investment which is not being provided by the lending banks or institutional investors. We're pleased with the encouraging trading reported in CMS and this investment is expected to provide the Company with significant numbers of investment opportunities. With the continued support of the Company's shareholders, the Directors intend to make further investments during the course of 2011 to take advantage of the current stage of the economic cycle.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	For the year ended 31 December 2010			For the year ended 31 December 2009		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
LOSSES ON INVESTMENTS							
Net losses on investments at fair value through profit and loss		-	(3,382)	(3,382)	-	(64,277)	(64,277)
		<u>-</u>	<u>(3,382)</u>	<u>(3,382)</u>	<u>-</u>	<u>(64,277)</u>	<u>(64,277)</u>
INCOME							
Management charge	1 (b)	6,460	-	6,460	-	-	-
Loan waiver		5,000	-	5,000	-	-	-
		<u>11,460</u>	<u>-</u>	<u>11,460</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURE							
Directors' fees	1 (e)	19,787	-	19,787	4,226	-	4,226
Administration fees		45,191	-	45,191	75,089	-	75,089
Professional fees		46,661	-	46,661	48,774	-	48,774
Consultancy fees		-	20,547	20,547	-	44,998	44,998
Audit fee		8,000	-	8,000	13,370	-	13,370
Interest expense		1,229	-	1,229	3,333	-	3,333
Regulatory and registration fees		8,550	-	8,550	5,849	-	5,849
		<u>129,418</u>	<u>20,547</u>	<u>149,965</u>	<u>150,641</u>	<u>44,998</u>	<u>195,639</u>
LOSS ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR							
		(117,958)	(23,929)	(141,887)	(150,641)	(109,275)	(259,916)
Loss per share:							
- basic (pence per share)	2	(0.26)	(0.05)	(0.31)	(0.64)	(0.46)	(1.10)

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

No operations were acquired or discontinued during the year.

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

BALANCE SHEET 31 DECEMBER 2010

	Note	31 December 2010 £	31 December 2009 £
FIXED ASSETS			
Investments at fair value through profit and loss		226,181	86,962
CURRENT ASSETS			
Other debtors and prepayments	7,735		1,725
Cash and cash equivalents	681		26,816
		<u>8,416</u>	<u>28,541</u>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Loans payable	(25,000)		-
Other creditors and accruals	4 (75,366)		(39,385)
	(100,366)		(39,385)
NET CURRENT LIABILITIES		(91,950)	(10,844)
TOTAL ASSETS LESS CURRENT LIABILITIES		134,231	76,118

CAPITAL AND RESERVES

CALLED UP SHARE CAPITAL	6	531,717	425,050
SHARE PREMIUM ACCOUNT		4,348,205	4,254,872
RESERVES		(4,745,691)	(4,603,804)
EQUITY SHAREHOLDERS' FUNDS		134,231	76,118
Net asset value per share (pence per share)	3	0.25	0.18

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	For the year ended 31 December 2010	For the year ended 31 December 2009
Net cash outflow from operating activities	5 (a)	(113,534)	(251,742)
Capital expenditure and financial investment	5 (b)	(2,601)	100,000
Cash outflow before financing		(116,135)	(151,742)
Financing	5 (c)	90,000	177,678
(Decrease) / Increase in cash for the year	5 (d)	(26,135)	25,936

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share Capital £	Share Premium Account £	Revenue £	Reserves Capital £	Total £
Balance at 1 January 2009	132,372	4,254,872	(734,062)	(3,609,826)	(4,343,888)
Net loss for the year	-	-	(150,641)	(109,275)	(259,916)
Issue of shares in the year	292,678	-	-	-	-
Balance at 1 January 2010	425,050	4,254,872	(884,703)	(3,719,101)	(4,603,804)
Net loss for the year	-	-	(117,958)	(23,929)	(141,887)
Issue of shares in the year	106,667	93,333	-	-	-
Balance at 31 December 2010	531,717	4,348,205	(1,002,661)	(3,743,030)	(4,745,691)

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

Notes to the Financial Statements 31 December 2010

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 the directors have chosen to adopt 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. Transactions were made during the period under review in Euros as well as Sterling and those transactions in Euros have been translated at the rates of exchange ruling at the date of each 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 instrument 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 and loss

Classification

All investments are classified as "fair value through profit and 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 and 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 and 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). As at 31 December 2010, the Company's unquoted investment was valued at £165,000 (2009: £nil), this is at cost which the directors consider to be the Fair Value at 31 December 2010.

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 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 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 makes equity-settled share-based payments to certain consultants. 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 13.

(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 and, taking into account the Company's current cash balances and available facilities, the directors have prepared the financial statements on the going concern basis.

(h) FINANCE COSTS

Finance costs incurred by the Company are allocated as either a revenue or capital expense. In the year under review, all interest costs were incurred in relation to the ongoing costs of the Company and not in relation to the investments held by the Company.

2 LOSS PER SHARE

The calculation of basic loss per share is based on the net loss on ordinary activities after tax for the year and on 45,018,249 shares (2009: 23,730,924) 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 and 1,500,000 warrants over ordinary shares in issue which could potentially dilute basic earnings per share in the future.

3 NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of £ 134,231 (2009: £76,118) and on the ordinary shares in issue of 53,171,673 (2009: 42,505,007) at the balance sheet date.

4 OTHER CREDITORS AND ACCRUALS

	31 December 2010	31 December 2009
	£	£
Audit fees	10,000	12,000
Consultancy fees	13,333	6,604
Professional fees	6,625	-
Nomad fees	3,100	8,250
Registrar fees	1,525	4,984
Administration fees	38,933	7,522
Sundry creditors	1,850	22
	<u>75,366</u>	<u>39,385</u>

5 NOTES ON THE CASH FLOW STATEMENT

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

	31 December 2010	31 December 2009
	£	£
Net revenue loss on ordinary activities for the year	(117,958)	(150,641)
Loan Waiver	(5,000)	
Expenses charged to capital	(20,547)	(44,998)
(Increase) / decrease in debtors	(6,010)	(1,725)
Increase / (decrease) in creditors	35,981	(54,378)
Net cash outflow from operating activities	<u>(113,534)</u>	<u>(251,742)</u>

(b) Capital expenditure and financial investment

	31 December 2010	31 December 2009
	£	£

Receipts from sale of investments	22,399	100,000
Acquisition of investment	(25,000)	-
	<u> </u>	<u> </u>
Net cash flow for capital expenditure and financial investment	(2,601)	100,000

(c) Financing

	31 December 2010	31 December 2009
	£	£
Loans payable repaid	-	(115,000)
New loan received	30,000	-
Issue of equity share capital	60,000	292,678
	<u> </u>	<u> </u>
Net cash inflow from financing	90,000	177,678

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

	31 December 2010	31 December 2009
	£	£
(Decrease) / Increase in cash for the year	(26,135)	25,936
Cash inflow from (increase) / decrease in debt finance	(25,000)	115,000
	<u> </u>	<u> </u>
Change in net debt resulting from cash flows	(51,135)	140,936
net (debt) / funds at 1 January 2010	26,816	(114,120)
	<u> </u>	<u> </u>
Net funds / (debt) at 31 December 2010	(24,319)	26,816

(e) Analysis of net debt	At 1 January 2010	Cashflow	Loan waiver	At 31 December 2010
	£	£	£	£
Cash and cash equivalents	26,816	(26,135)	-	681
Loan payable	-	(30,000)	5,000	(25,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	26,816	(56,135)	5,000	(24,319)

6 CALLED UP SHARE CAPITAL

	31 December 2010	31 December 2009
	£	£
Authorised		
200,000,000 ordinary shares of £0.01 each	2,000,000	500,000
Allotted and fully paid		
53,171,673 ordinary shares of £0.01 each		
(2009: 42,505,007)	531,717	425,050

On 29 September 2010, the Company issued and allotted 10,666,666 new ordinary shares of 1 pence each ("Ordinary Shares"). 6,000,000 of the new Ordinary Shares were issued fully paid at par in settlement of £60,000 of convertible loans owed by the Company and 4,666,666 of the new Ordinary Shares were issued fully paid at 3p per Ordinary Share as consideration for the investment in Vermeesch.

On 24 January 2011, the Company issued and allotted 40,000,000 new Ordinary Shares fully paid at 2p per Ordinary Shares to raise new funds for the Company totalling £800,000.

The Company's Report and Accounts for the year ended 31 December 2010 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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