

**KINGSWALK INVESTMENTS LIMITED**

ANNUAL REPORT  
For the year ended 31 December 2009

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## Corporate Information

**Company Registered  
Number:**

42316

**Directors:**

Paul Michael Everitt (executive director)  
Ian Roger Parry (executive director)  
August Johannes Francisca Maria Berting (non-executive  
director)  
Daniel Asse van den Noort (non-executive director)

all of:  
Roseneath,  
The Grange,  
St Peter Port,  
Guernsey, GY1 3SJ

**Company Secretary  
And Registered Office:**

Fund Corporation of the Channel Islands Limited  
Roseneath,  
The Grange,  
St Peter Port,  
Guernsey, GY1 3SJ

**UK Solicitors to the  
Company:**

Memery Crystal LLP  
44 Southampton Buildings  
London, WC2A 1AP

**Independent  
Auditors:**

Chantrey Vellacott DFK LLP  
Russell Square House  
10-12 Russell Square  
London, WC1B 5LF

**Nominated Advisor  
and Broker:**

Daniel Stewart and Co Plc  
Becket House  
36 Old Jewry  
London, EC2R 8DD

**Registrars:**

Capita Registrars (Guernsey) Limited  
Longue Hougue House  
St. Sampson  
Guernsey, GY1 3US

**Administration  
Services Provider:**

Fund Corporation of the Channel Islands Limited  
Roseneath,  
The Grange,  
St Peter Port,  
Guernsey, GY1 3SJ

## 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 Schreibke. 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.

### **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.

### **Board of Directors**

#### *Paul Everitt*

#### *Executive Director*

Mr Everitt, a chartered accountant with more than 20 years' experience in the finance industry, previously acted as Head of Fund Services for Barclays Wealth's offshore operations, responsible for their fund administration teams. He is the co-founder and managing director of Fund Corporation, a Guernsey-based administration firm. He has a wide ranging practical experience in Guernsey and the UK, in particular with international fund structures. Paul is also a director of a number of other AIM traded companies and investment funds.

#### *Roger Parry*

#### *Executive Director*

Mr Parry is a chartered accountant who worked at Phoenix Equity Partners and Barclays Wealth before setting up Fund Corporation with Mr Everitt. Mr Parry is a director of Fund Corporation and specialises in international fund structures. Roger is also a director of a number of other investment funds.

***Guus Berting******Non-Executive Director***

Mr Berting graduated with a degree in Art History from the University of Leiden and subsequently joined Sotheby's Amsterdam. In 2001 he founded Art Consolidated B.V., an art dealing business based in The Hague. Guus is a non-executive director of a number of AIM quoted, including Creon Corporation plc, and privately held companies.

***Daan van den Noort******Non-Executive Director***

Mr van den Noort is an experienced investment director having previously been a general practitioner until 1996, when he joined the pharmaceutical industry as an executive director of Asta Medical. From 1999 he joined Ferring Geneesmiddelen as General Manager and in 2001 he joined a venture capital fund, Biotech Turnaround Fund ("BTF") where he is currently Chief Investment Officer, responsible for research and identification of investment opportunities. Through his work at BTF, Daan is currently a director of Genizon Biosciences Inc, Syntarga BV and Metabolex Inc.

**Directors and their Interests**

The Directors of the Company during the year and at the date of this report (except where stated) were:

Paul Michael Everitt (appointed 30 July 2009)

Ian Roger Parry (appointed 30 July 2009)

August Johannes Francisca Maria Berting (appointed 29 June 2009)

Daniel Asse van den Noort (appointed 27 January 2010)

Martin Shires BSc (Econ), ACA, TEP (resigned 30 July 2009)

Paul Matthew Schreiber BSocSc, CTA, TEP (resigned 30 July 2009)

Jonathan David Freeman BA (Hons), MBA (resigned 27 January 2010)

None of the Directors who held office at the end of the financial year had any interest in the share capital or share options of the Company, nor does any person connected with the Directors have any such interests, whether beneficial or non-beneficial.

**Substantial Shareholdings**

At 31 December 2009, the issued share capital of the Company was 42,505,007 ordinary shares of 1 pence each (Ordinary Shares). It is a requirement of the Company's Articles of Association that shareholders must notify the Company if they own shares representing 3% or more of the issued share capital. As far as the Directors are aware, as at 31 December 2009, the following shareholders held 3% or more of the Company's share capital:

	<b>Number of Ordinary Shares</b>	<b>Percentage of issued ordinary share capital</b>
Lindfield Limited	11,681,676	27.48%
Jon Olafsson	3,970,500	9.34%
Esquire Investments B.V.	3,209,435	7.55%
Ascona Capital Limited	1,686,251	3.97%

On 25 June 2009, the Company issued 19,018,392 new Ordinary Shares (“June Issue”), of which 4,000,000 were issued pursuant to a subscription raising £0.04 million for the Company, and 15,018,392 were issued to certain creditors of the Company for services received. Following the June Issue, the Company had 32,255,627 Ordinary Shares in issue. On 8 December 2009, the Company issued 10,249,380 new Ordinary Shares (“December Issue”) pursuant to the conversion of a loan totalling £100,000. Following the December Issue, the Company had 42,505,007 Ordinary Shares in issue.

### **Share Option Plan**

A discretionary Share Option Plan (“Plan”) was adopted by the Board prior to the admission of the Company to AIM in February 2005. A summary of the draft terms of the Plan were provided in the AIM admission document. On 16 May 2007, the Board formally adopted the finalised Plan which was set up on the basis of the draft terms in the AIM admission document.

In an effort to preserve cash the Board has, where it is considered appropriate, awarded options over the Company’s shares to consultants to the Company rather than pay fees to them for work carried out. No options have been granted since 1 June 2007, therefore there currently remain options outstanding over a total of 800,000 shares as at the date of this report and as at 31 December 2009 (31 December 2008: 800,000). The exercise price of all these options is 26 pence per share which was the mid-price of the shares at the time the options were awarded.

The Board intends to continue to award options to consultants in place of fees when appropriate but has decided that it would not be appropriate to award any of its Directors such options.

### **Corporate Governance**

The Company was admitted to trading on AIM on 24 February 2005. As such it is not governed by the Combined Code on Corporate Governance. However, the Board is committed to complying with best practice where appropriate. This includes evaluating Directors’ performance, the management of the Company and ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

There is no separate Audit Committee, Remuneration Committee or Nominations Committee as the Board considers that, given the Company’s current size, all members of the Board should participate in those roles and responsibilities normally reserved for such committees. Therefore the full Board of Directors will provide a forum for reporting by the Company’s external auditors.

The Company continues to give careful consideration to the principles of corporate governance to ensure that it complies with current UK corporate governance requirements to the extent to which the Directors consider these to be appropriate for a company of its size and taking into account its wish to conserve cash for investments.

The Board meets regularly and has ultimate responsibility for the management of the Company. It also meets to review the remuneration of Directors and its consultants.

## **Relationship with Shareholders**

The Directors seek to build a mutual understanding of objectives between the Company and its shareholders. The Company reports formally to shareholders in its interim and annual reports setting out details of its activities. In addition, the Company keeps shareholders informed of events and progress during the year through the issue of press releases. The Directors meet with shareholders following interim and final results, as required. The Company also maintains company information on its website – [www.kingswalkinvestments.com](http://www.kingswalkinvestments.com). Shareholders have the opportunity to meet the Board at the Annual General Meeting (“AGM”). The Board is also happy to respond to any written queries made by shareholders during the course of the year.

Where possible the Annual Report is sent to shareholders at least 20 days before the AGM. Directors are required to attend AGMs of the Company unless unable to do so for personal reasons or due to pressing commercial commitments. Shareholders are given the opportunity to vote on each separate issue. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

## **Internal Control**

The Directors of the Company have overall responsibility for the Company’s system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed. By their nature these controls can provide reasonable but not absolute assurance against material misstatement or loss.

The Board’s appointment of Fund Corporation of the Channel Islands Limited (“Fund Corporation”) for financial administration and as Company Secretary has delegated much of the administration of the Company. Fund Corporation has established systems of control, including internal financial controls, to enable it to ensure that proper accounting records are maintained, that financial information for use within the Company and reporting to shareholders is accurate and reliable and that the Company’s assets are safeguarded. This delegation of administration by the Board, and the use of Fund Corporation, is monitored by the Board with regards to its appropriateness and with regard to the performance of Fund Corporation in carrying out its work on behalf of Kingswalk.

## **Portfolio Risk**

The Company’s assets have historically, and may do so again in the future, comprise investments in smaller, unquoted businesses which, by their nature, tend to be more fragile than larger, longer established businesses. In addition, smaller unquoted companies are usually exposed to greater risks than more stable businesses and may therefore change in nature quickly with such changes not being immediately reflected in the valuation of the investment. In addition unquoted investments are difficult to realise and there is therefore a risk that the Company may not be able to exit from an investment at the appropriate valuation or at all.

## **Results and Dividends**

The results of the Company for the year are set out on pages 16 to 32. No dividends have been paid or are proposed to be paid.

## **Directors’ Responsibilities**

Guernsey company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and

of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. In addition the Directors are responsible for ensuring that the annual report includes information required by the AIM Rules for Companies. 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.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Financial statements are published on the Company's website. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

#### **Auditor**

A resolution to reappoint Chantrey Vellacott DFK LLP as auditor will be proposed at the next Annual General Meeting.

#### **Going Concern**

The Directors consider the Company a going concern for the reasons disclosed in note 1(g) to the financial statements

#### **Activities**

The Company was incorporated on 15 September 2004 and was admitted to trading on AIM on 24 February 2005.

The principal activity of the Company is as an investing company and the Company's current investment strategy was approved by the Company's shareholders at the last annual general meeting held on 21 July 2009. Shareholders will be asked to again approve the Company's investment strategy at the forthcoming annual general meeting ("AGM"), to be held on 30 July 2010.

In addition, at the AGM, the Company's shareholders will be asked to approve the Company's new proposed articles of association ("New Articles"), a copy of which is available to download from the Company's website ([www.kingswalkinvestments.com](http://www.kingswalkinvestments.com)) and will be available for inspection at the AGM. The New Articles take into account new legislative changes brought in by the new Companies (Guernsey) Law, 2008.

**Creditors Payment Policy and Practice**

It is the Company's payment policy and actual practice to ensure settlement of suppliers' invoices in accordance with the stated terms of the invoices, accordingly, the Company's average creditor days is approximately 30 days.

On behalf of the Board,

Paul Michael Everitt  
Director  
28 June 2010

Ian Roger Parry  
Director

## Directors' Remuneration Report

### Policy on Directors' Fees

The Board's policy is that the level of remuneration should be sufficient to attract and retain the Directors needed to oversee properly the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 31 December 2010 and subsequent years.

### Directors' Fees

The Board considers at least annually the level of the Directors' fees, in accordance with the Combined Code on Corporate Governance. The Company Secretary provides information on the levels of Directors' fees to the Board in advance of each review.

The Board concluded following the review of the level of Directors' fees for the forthcoming year that the amounts should remain unchanged at present.

### Directors' Service Contracts

The Company entered into an open-ended services agreement with Fund Corporation of the Channel Islands Limited which include the provision of the services of P M Everitt and I R Parry as executive directors on a fixed fee basis, with a 3-month notice period. Service agreements, each with a 1-month notice period, exist between the Company and Daan van den Noort and Guus Berting.

The Company has also entered into a research and consultancy agreement with Combined Management Services Limited ("CMS") as disclosed in note 13 to the accounts. J D Freeman, a former director of the Company, is a director of CMS and owns 50% of the shares of CMS. The above fees do not include reimbursed expenditure.

### Directors' Remuneration

The emoluments of the individual Directors for the year were as follows:

Director	Salary or Fees	
	2009	2008
M Shires	nil	nil
P M Schreibke	nil	nil
A F M Berting	nil	n/a
P M Everitt	£2,113	n/a
I R Parry	£2,113	n/a
J D Freeman	nil	£15,000

Mr Freeman agreed to waive directors fees totalling £20,000 for 2009.

The fees for the non-executive Director are determined in accordance with Article 99 of the Articles of Association of the Company. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

No pension scheme contributions or other retirement benefit contributions were paid.

There are no share option contracts or long term incentive schemes held by the Directors.

During the period under review, no Director has, or has had, any interest in any contract to which the Company is a party except for the contracts between the Company and Fund Corporation of the Channel Islands Limited and the Company and Combined Management Services Limited, as disclosed elsewhere.

The Directors' Remuneration Report on pages 12 and 13 was approved by the Board of Directors and signed on its behalf by

Paul Michael Everitt  
Director  
28 June 2010

Ian Roger Parry  
Director

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGSWALK INVESTMENTS LIMITED**

We have audited the financial statements of Kingswalk Investments Limited for the year ended 31 December 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company'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 Company'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 Company and the Company'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**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) law, 2008.

### **Emphasis of matter – going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1g to the financial statements concerning the preparation of the financial statements on a going concern basis. The company incurred a net loss of £259,916 during the year ended 31 December 2009. These conditions, along with the other matters explained in note 1g to the financial statements, indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern and our opinion is not qualified in this respect.

CHANTREY VELLACOTT DFK LLP  
Chartered Accountants and Statutory Auditor  
LONDON  
28 June 2010

## 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 £
<b>LOSSES ON INVESTMENTS</b>							
Net losses on investments at fair value through profit or loss	3	-	(64,277)	(64,277)	-	(3,598,699)	(3,598,699)
		-	(64,277)	(64,277)	-	(3,598,699)	(3,598,699)
<b>INCOME</b>							
Interest income	1(b)	-	-	-	13,770	-	13,770
Loan waiver	8	-	-	-	-	429,051	429,051
		-	-	-	13,770	429,051	442,821
<b>EXPENDITURE</b>							
Loan write off	1(e)	-	-	-	-	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
		150,641	44,998	195,639	217,423	364,526	581,949
<b>LOSS ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR</b>							
		<u>(150,641)</u>	<u>(109,275)</u>	<u>(259,916)</u>	<u>(203,653)</u>	<u>(3,534,174)</u>	<u>(3,737,827)</u>
Loss per share:							
- basic (pence per share)	6	<u>(0.64)</u>	<u>(0.46)</u>	<u>(1.10)</u>	<u>(1.54)</u>	<u>(26.70)</u>	<u>(28.24)</u>

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.

The notes on pages 20 to 32 form an integral part of these financial statements.

**BALANCE SHEET**  
**31 DECEMBER 2009**

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

The accounts on page 16 to 32 were approved by the Board of Directors on 28 June 2010 and authorised for issue on its behalf by:

Paul Michael Everitt  
28 June 2010

Ian Roger Parry

The notes on pages 20 to 32 form an integral part of these financial statements.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	<b>For the year ended <u>31 December 2009</u></b>	<b>For the year ended <u>31 December 2008</u></b>
		£	£
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		<u>(151,742)</u>	<u>(106,129)</u>
Financing	10(d)	177,678	100,358
Increase / (decrease) in cash for the year	10(e)	<u>25,936</u>	<u>(5,771)</u>

The notes on pages 20 to 32 form an integral part of these financial statements.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Called up Share Capital £</b>	<b>Share Premium Account £</b>	<b>Revenue £</b>	<b>Reserves Capital £</b>	<b>Total £</b>
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	<u>425,050</u>	<u>4,254,872</u>	<u>(884,703)</u>	<u>(3,719,101)</u>	<u>(4,603,804)</u>

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

The notes on pages 20 to 32 form an integral part of these financial statements.

**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.

**Notes to the Financial Statements**  
**31 December 2009**

**1 ACCOUNTING POLICIES (continued)**

**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.

**Notes to the Financial Statements**  
**31 December 2009****1 ACCOUNTING POLICIES (continued)****(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.

**Notes to the Financial Statements**  
**31 December 2009**

**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**

	<b>31 December 2009</b>	<b>31 December 2008</b>
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	<u>86,962</u>	<u>251,239</u>

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.

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

**4 INTEREST EXPENSE**

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

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**

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

**Notes to the Financial Statements**  
**31 December 2009**

**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**

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

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**

	<b>31 December 2009</b>	<b>31 December 2008</b>
	£	£
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	-
	<hr/>	<hr/>
	<u>39,385</u>	<u>93,763</u>

**Notes to the Financial Statements**  
**31 December 2009**

**10 NOTES ON THE CASH FLOW STATEMENT**

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

	<b>31 December 2009</b>	<b>31 December 2008</b>
	£	£
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	<u>(251,742)</u>	<u>(317,270)</u>

**(b) Returns on investments and servicing of finance**

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

**(c) Capital expenditure and financial investment**

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

**(d) Financing**

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

**Notes to the Financial Statements**  
**31 December 2009**

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

	<b>31 December 2009</b>	<b>31 December 2008</b>
	£	£
Increase / (decrease) in cash for the year	25,936	(5,771)
Cash inflow from (increase)/decrease in debt finance	115,000	(47,782)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Net funds / (debt) at 31 December 2009	<u>26,816</u>	<u>(114,120)</u>

<b>(f) Analysis of net debt</b>	<b>At 1 January 2009</b>	<b>Cashflow</b>	<b>Other</b>	<b>At 31 December 2009</b>
	£	£	£	£
Cash and cash equivalents	880	25,936	-	26,816
Loan payable	(115,000)	-	115,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>(114,120)</u>	<u>25,936</u>	<u>115,000</u>	<u>26,816</u>

**11 CALLED UP SHARE CAPITAL**

	<b>31 December 2009</b>	<b>31 December 2008</b>
	£	£
<b>Authorised</b>		
200,000,000 ordinary shares of £0.01 each	<u>2,000,000</u>	<u>500,000</u>
<b>Allotted and fully paid</b>		
42,505,007 ordinary shares of £0.01 each (2008: 13,237,235)	<u>425,050</u>	<u>132,372</u>

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.

**Notes to the Financial Statements**  
**31 December 2009**

**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 (Guemsey) 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. The Directors fees paid are shown in the Directors' remuneration report on page 12. 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 No.	Grants during year No.	Options exercised No.	31-Dec 2009 No.	31-Dec 2008 No.
30 November 2007 - 30 May 2017	26.0 pence	50,000	-	-	50,000	50,000
1 December 2007 - 1 June 2017	26.0 pence	750,000	-	-	750,000	750,000
		<u>800,000</u>	-	-	<u>800,000</u>	<u>800,000</u>

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.

**Notes to the Financial Statements****31 December 2009****15 FINANCIAL INSTRUMENTS (continued)****(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.

**Notes to the Financial Statements****31 December 2009****15 FINANCIAL INSTRUMENTS (continued)****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 a 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.

**Notes to the Financial Statements**  
**31 December 2009**

**15 FINANCIAL INSTRUMENTS (continued)**

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

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

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

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

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.

**Notes to the Financial Statements****31 December 2009****15 FINANCIAL INSTRUMENTS (continued)****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

	<b>31 December 2009</b>		<b>31 December 2008</b>	
	<b>Value</b>	<b>% of Net</b>	<b>Value</b>	<b>% of Net</b>
	<b>£</b>	<b>Assets</b>	<b>£</b>	<b>Assets</b>
<b>Investment assets</b>				
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.

**Notes to the Financial Statements****31 December 2009****15 FINANCIAL INSTRUMENTS (continued)**

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

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

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

**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.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (the “**Meeting**”) of Kingswalk Investments Limited (the “**Company**”) will be held at Roseneath, The Grange, St Peter Port, Guernsey GY1 3SJ on 30 July 2010 at 12:00 noon.

You will be asked to consider and vote on the resolutions below. Resolutions 2 to 9 will be proposed as ordinary resolutions and resolution 1 will be proposed as a special resolution.

### Special business

#### SPECIAL RESOLUTION

1. THAT the draft regulations produced to the meeting and for the purposes of identification initialled by the Chairman be adopted as the articles of association of the Company in substitution for, and to the exclusion of the existing articles of association (“New Articles”).

#### ORDINARY RESOLUTIONS

2. THAT the Accounts and Balance Sheet and the reports of the Directors and Auditors for the year ended 31 December 2009 be received and adopted.
3. THAT Daniel Asse van den Noort, a Director appointed since the last annual general meeting be re-appointed as a Director.
4. THAT Paul Michael Everitt, a Director appointed since the last annual general meeting be re-appointed as a Director.
5. THAT Ian Roger Parry, a Director appointed since the last annual general meeting be re-appointed as a Director.
6. THAT August Johannes Francisca Maria Berting, a Director retiring by rotation be re-appointed as a Director.
7. THAT the Auditors, Chantrey Vellacott DFK LLP, be re-appointed and the Directors be authorised to determine their remuneration.
8. THAT the investment strategy as set out in the 2009 annual report to shareholders be adopted.
9. a. THAT, conditional upon passing of resolution 1 in the event that directors be and they are empowered pursuant to Article 2.2 of the Company’s New Articles to allot shares (as defined in the Articles of Association) wholly for cash as if the pre-emption provisions of Article 2.2 of the Company’s Articles of Association did not apply to any such allotment, provided that this power shall be limited to the allotment of shares:
  - (i) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;
  - (ii) otherwise than pursuant to sub-paragraph 9(0)(i) above up to an aggregate nominal amount of £1,574,949.93 being the Company’s remaining unissued authorised share capital;

and shall expire fifteen months from the date of this resolution or on the conclusion of the next Annual General Meeting of the company after the passing of this resolution, whichever is earlier, save that the

company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This resolution is in substitution for all subsisting authorities in relation to Article 2.2; or

- b. THAT, conditional upon resolution 1 not being passed, the directors be and they are empowered pursuant to Article 6.1 of the Company's Articles of Association to allot equity securities (as defined in the Articles of Association) wholly for cash as if the pre-emption provisions of Article 6.1 of the Company's Articles of Association did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
- (i) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;
  - (ii) otherwise than pursuant to sub-paragraph 9b(i) above up to an aggregate nominal amount of £1,574,949.93 being the Company's remaining unissued authorised share capital;

and shall expire fifteen months from the date of this resolution or on the conclusion of the next Annual General Meeting of the company after the passing of this resolution, whichever is earlier, save that the company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This resolution is in substitution for all subsisting authorities in relation to Article 6.1.

By order of the Board  
Fund Corporation of the Channel Islands Limited  
Company secretary  
Kingswalk Investments Limited  
28 June 2010

#### Notes

1. A member entitled to receive notice of, attend and vote at the above meeting is also entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
3. To be valid the enclosed form of proxy for the General Meeting together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited by 12:00 noon on 28 July 2010 for the attention of Paul Everitt, of Roseneath, The Grange, St Peter Port, Guernsey GY1 3SL.

4. Completion and return of the form of proxy will not prevent you from attending and voting in person at the annual General Meeting.
5. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 12:00 noon on 28 July 2010 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the annual General Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 12:00 noon on 28 July 2010 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.