VOLTA FINANCE LIMITED

SEMI-ANNUAL REPORT AND ACCOUNTS
FOR THE PERIOD 1 AUGUST 2007 to 31 JANUARY 2008

CONTENTS

Corporate Summary	2
Chairman's Statement	4
Investment Manager's Report	5
Portfolio Valuation	12
Directors, Management, Administration and Advisors	14
Independent Review Report	15
Unaudited Condensed Income Statement	16
Unaudited Condensed Balance Sheet	17
Unaudited Condensed Statement of Changes in Shareholders' Equity	18
Unaudited Condensed Cash Flow Statement	19
Notes to the Financial Statements	20
Distribution Income Calculation	38

CORPORATE SUMMARY

FOR THE PERIOD FROM 1 AUGUST 2007 TO 31 JANUARY 2008

THE COMPANY

Volta Finance Limited (the "Company" or "Volta Finance" or "Volta") is a closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Laws, 1994 to 1996 (as amended).

INVESTMENT OBJECTIVE

Subject to the risk factors mentioned in the prospectus, the Company's investment objectives are to seek to preserve capital and to provide a stable stream of income to its shareholders through dividends that it expects to distribute on a semi-annual basis. It seeks to attain its investment objectives by pursuing a multi-asset class investment strategy. The strategy focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating overall stable and predictable cash flows for the Company. The assets targeted for direct and indirect investments consist of corporate credits, sovereign and quasi-sovereign debt, residential mortgage loans, automobile loans, student loans, credit card receivables, leases and debt and equity instruments in infrastructure products (the "Primary Underlying Assets"). There can be no assurance that the Company will achieve its investment objectives.

The Company's approach to investments in these Primary Underlying Assets is through vehicles and arrangements that essentially provide leveraged exposure to portfolios of Primary Underlying Assets. In this regard, the Company has instructed AXA Investment Managers Paris (the "Investment Manager" or "AXA IM") to pursue the Company's investment strategy by concentrating on five principal target assets classes (the "Primary Target Asset Classes"), each of which is supported principally if not entirely by cash flows generated by Primary Underlying Assets including corporate credits, CDOs, asset-backed securities, leveraged loans and infrastructure assets.

THE INVESTMENT MANAGER

The Investment Manager is authorised by the *Autorité des Marchés Financiers* as an investment management company and its activities are governed by article L. 532-9 of the *French Code Monétaire et Financier*. AXA IM is an investment manager with a team of experts concentrating on the structured finance markets.

THE INVESTMENT MANAGEMENT AGREEMENT

The Company and the Investment Manager entered into an Investment Management Agreement in December 2006. The Investment Manager's appointment under that agreement may be terminated by the Company without cause on two years' advance written notice (or with less than two years' notice if payment to compensate the Investment Manager is made), but any such notice may only be delivered after the third anniversary of the effective date of the Investment Management Agreement. As a result, absent termination for cause, termination by mutual agreement, the Investment Manager's resignation, automatic termination or (in the case of termination without cause) the payment of compensation, the Investment Manager's term of appointment is effectively for five years.

INITIAL PUBLIC OFFERING

As contemplated in its prospectus of 4 December 2006, as amended by the prospectus supplement of 12 December 2006 (the "Prospectus"), the Company issued 30,000,000 ordinary shares at an offer price of €10 each on 20 December 2006. 3,000,000 warrants (the "Warrants") with an exercise price of €10 each were also issued to the Investment Manager upon closing of the Initial Public Offering ("IPO"). The Warrants give the Investment Manager the right to acquire an amount of class C shares equivalent to 10% of the number of shares in issue immediately following the IPO closing, at an exercise price per share equal to the offer price. The Warrants will become exercisable after 30 November 2008 and they will remain exercisable until 31 December 2016.

ASSET VALUES

At 31 January 2008, the Company's total Net Asset Value ("NAV" and "Net Asset Value") was €217 million, with the NAV per share amounting to €7.22. The Company publishes its NAV on a semi-annual basis and its gross asset value ("GAV" and "Gross Asset Value") monthly.

NAV is an expression of the total value of the Company which takes into account the current fair value of the Company's investments, accruals for debtors and creditors and the amount of the Company's liabilities. The Company's total NAV at 31 January 2008 can be seen in the Balance Sheet on page 17 (Total shareholder's equity line).

GAV is an expression of the Company's value, which only takes into account the fair value of the Company's investments. GAV, which is published by the Company on a more frequent basis than NAV, may be a useful point of reference in light of the relatively small amount of the Company's liabilities.

CORPORATE SUMMARY
FOR THE PERIOD FROM 1 AUGUST 2007 TO 31 JANUARY 2008

DURATION

The Company has a perpetual life.

WEBSITE

The Company's website address is: www.voltafinance.com.

LISTING INFORMATION

The Company's ordinary shares are listed on Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam") (website: www.euronext.com).

The ISIN number of the Company's listed shares is GG00B1GHHH78.

The closing price of the Company's listed shares quoted on Euronext Amsterdam at 31 January 2008 was €5.60 per share.

The average closing price of the Company's listed shares quoted on Euronext Amsterdam over the period was €6.82 per share.

CHAIRMAN'S STATEMENT

INTRODUCTION

The exceptional global financial crisis has taken its toll on the market value of our Company's assets.

The Net Asset Value ("NAV") has significantly declined over the semi-annual period from €260 million (€8.67 per share) as of 31 July 2007 to €217 million (€7.22 per share) as of 31 January 2008.

The reduction in the mark-to-market value of the Company's assets, as reflected in the NAV, does not necessarily mean that there is a change in the expected cashflows of each asset. However, as stated in our January Monthly Report, for five of the UK non-conforming ABS residual positions and for the Leverage Loan Total Return Swap ("TRS"), we believe that there is such a reduction in the expected cash flows.

The Income Statement of the Company takes into account, through changes in fair value, the unrealised market-to-market losses of assets held for trading and derivative financial instruments such as the leveraged loan TRS and recognises, through an impairment under IFRS accounting, a loss on the five UK non-conforming ABS residuals for which expected cash flows have been modified. The value at which we hold those assets has therefore been reduced and this is reflected in the Income Statement.

Consequently, there was a loss of €28.2 million (or €0.94 per share) for the six-month period ended 31 January 2008, compared to a loss of €16.9 million (or €0.56 per share) for the previous period.

The Distribution Income of the Company for this period was negative, at -€33.0 million (or -€1.10 per share), compared to a positive Distribution Income of €14.1 million (or €0.47 per share) for the first financial period ended 31 July 2007, reflecting the reduction in expected cash flows on the five UK non-conforming ABS assets as well as on the TRS.

DIVIDEND

Distribution Income for this six-month period is negative. Furthermore, the Board considers that the interests of shareholders would be best served by maintaining cash within the Company in order to take advantage of reinvestment opportunities which we hope will increase our ability to pay dividends in the future. For these reasons, the Company has decided not to pay an interim dividend for this semi-annual period.

Considering current market conditions and the present level of uncertainty, the Company does not believe that it can issue meaningful dividend guidance for the next semi-annual period. The Board hopes the situation will improve and that in the future the Company will be in a position to resume its dividends.

OUTLOOK

As highlighted by the Investment Manager in the Monthly Reports, credit markets continued to experience price declines and volatility after the closing of the Company's accounts on 31 January 2008. As reported at the end of February, Gross Asset Value ("GAV") had declined again to €195 million and we anticipate that this further deterioration in market value is likely to be reflected in a further reduction in expected cash flows from the TRS and certain ABS holdings. We expect market volatility to continue throughout 2008.

At the time of writing, the Company has over €26 million available for investment. Considering that the present volatility and price decline could last for several months, and taking into account the Investment Manager's advice, the Company will take the appropriate time to deploy capital in order to take advantage of stressed market conditions.

The Company is fully committed to managing the situation for the best interests of its shareholders in these extremely challenging conditions.

PETER CROOK

Chairman

3 April 2008

INVESTMENT MANAGER’S REPORT

1. OVERVIEW

Volta Finance Limited closed the semi-annual period ended 31 January 2008 with a NAV of €217 million, or €7.22 per share, down from €260 million, or €8.67 per share, its level on 31 July 2007.

In January, deteriorating conditions in the leveraged loan market and the decrease in UK housing prices combined with significant changes in the prepayment rate for UK non-conforming mortgage pools led the Company, based on the Investment Manager’s advice to revise downwards the expected cash flows of the TRS and of five UK non-conforming ABS residuals. These revisions affected negatively the Distribution Income for the semi-annual period ended 31 January 2008 in amounts equal to the discounted value of the difference between the previous and the current series of expected cash flows for each asset class, namely -€40.5 million for the TRS and -€8.8 million for the five UK non-conforming ABS residuals. This downward revision brought the Distribution Income for the period to - €33.0 million.

As the five UK non-conforming ABS residuals are classified as “available for sale securities” under IFRS, their impairment as described above affected negatively the Income Statement of the Company by €10.5 million, an amount equal to the difference between their book value and their fair value as of the end of January. Under IFRS, the fall in the mark-to-market value of derivative or embedded derivative financial instruments or of assets held for trading and classified as “financial assets at fair value through profit or loss” affect negatively the IFRS Net Income, regardless of whether or not such a fall is indicative of a drop in the expected cash flows from these assets.

Taking into account the impairment of the five ABS positions and the negative mark-to-market impact on the TRS and other derivatives and embedded derivatives, the Company incurred a loss of €28.2 million (or €0.94 per share) for the semi-annual period ended 31 January 2008.

Ongoing volatile conditions on the credit markets and widening credit spreads also contributed to the decrease in the Company’s NAV. Notwithstanding the downward mark-to-market valuation of all the assets held by Volta Finance since 31 July 2007, the expected cash flows of all CDO assets, Corporate Credit assets, as well as two ABS positions, totalling 66% of Volta’s total investment portfolio based on the end of January Gross Asset Value (the “GAV”) remain in line with or above original assumptions at the time of their purchase as of the end of January 2008.

Since the end of January, a further decline in the mark-to-market value of all Volta’s assets has been recorded. The biggest drops affect the UK non-conforming ABS residuals and the TRS, and are likely to be reflected in a further reduction in expected cash flows from those assets.

In the next semi-annual period, volatility is expected to remain high, and Volta is expected to benefit from its ability to take advantage of current and upcoming investment opportunities as approximately 14% of Volta’s assets are in cash (as of the end of February) that is expected to be invested over the coming months.

2. INVESTMENT STRATEGY

Volta seeks to attain its investment objectives by pursuing a multi-asset class investment strategy that has so far focused on four asset classes: Corporate Credit, CDO, ABS and Leveraged Loans.

As announced at launch, the general emphasis of the Company’s strategy is on the rigorous selection and structuring of investment positions that are then held for returns based on cash flows. Subject to the Company’s investment guidelines, the Investment Manager may trade portfolio positions, and reallocate the portfolio within and amongst asset classes, on a discretionary basis.

The Company’s asset allocation has not been substantially modified since 31 July 2007. Over the semi-annual period, the amounts of €8.9 million and €3.3 million in cash earmarked at 31 July 2007 for investment in the RMAC 2007–1 residual of ABS and the Tennenbaum Opportunities Fund V, respectively, were used to purchase these assets.

Aside from these two planned investments already disclosed in the previous annual report of the Company, no directly held assets were otherwise bought or sold over the semi-annual period ended 31 January 2008. At the time of the publication of this report, a residual commitment of $4.5 million in the Tennenbaum Opportunities Fund V is expected to be drawn over the coming months.

Table 1 – Volta Finance Asset Allocation Based on Mark-to-Market Prices (based on GAV)*

Asset classes	At 31 January 2008 (%)	At 31 July 2007 (%)
Corporate Credit	23.2	21.4
CDO	20.3	19.1
ABS	26.9	24.0
Leveraged Loans TRS	17.8	23.3
Cash	11.9	12.0

* GAV of €219 million as of 31 January 2008 and GAV of €264 million as of 31 July 2007. The valuation of each asset class takes into account the valuation of the individual assets and of the derivatives hedging the asset class.

During the semi-annual period ended 31 January 2008 the Company received €19.6 million as coupons compared to €13.1 million for the previous short annual period (note 21 of the financial statements). As the Company refrained from reinvesting cash other than for already committed funds during the semi-annual period, these amounts have remained in cash.

The Company had a cash balance of €26.2 million at 31 January 2008. Due to ongoing interest payments, prepayments and asset amortisation, the portfolio is expected to continue to generate cash on a rolling basis, which will be available to the Company for reinvestment, dividend payments and other purposes. At the time of writing, the Company is contemplating various possibilities for reinvesting the cash generated by its assets as market conditions appear to be such that the Company could initiate a selective process of reinvestment on the back of a significant increase in discount margin in almost all structured credit market segments. Our approach to future reinvestment is detailed further in section 5.

3. INVESTMENT PORTFOLIO

As of 31 January 2008, Volta held 23 settled assets in its portfolio divided amongst four asset classes. Of these, 13 were part of the Company's Initial Portfolio assembled in anticipation of the IPO and 10 were bought or committed during the Company's first financial period.

LEVERAGED LOAN TRS

In this asset class, Volta obtains investment exposure to mostly European leveraged loans through underlying reference positions in senior secured, mezzanine and second lien loans. As part of Volta's financing strategy, the economic exposure to these assets is gained on a leveraged basis through a TRS. The TRS is a non recourse investment for Volta, meaning that the TRS counterparty has no direct recourse to Volta for amounts due to it under the TRS. Its recourse is instead limited to the collateral amount posted by Volta of €71.25 million. As for most TRS structures, it requires Volta to either post more collateral or to sell assets when prices go down significantly in order to avoid termination and liquidation of this asset.

After a first set of volatility and price decline during the summer, the strong decline in market prices in the loan market at the end of the semi-annual period was due to loan sales from loan and high yield funds facing redemptions or pressure from leverage providers, a rise in defaults in the US loan market, as well as tactical sales by some market participants anticipating the liquidation of leveraged positions in loans.

In the light of the deteriorating outlook, a number of steps were taken. First, the concentration of underlying positions on senior secured loans which had begun in the previous period was completed: from €428 million as at 31 July 2007, the aggregate exposure under the TRS, in terms of principal amount of underlying loans, was reduced progressively to €363 million by the end of 2007, 99% of which represented senior secured loans.

Secondly, based on the anticipation of further price declines, in order to mitigate the downside risk in an increasingly volatile loan market and in order to stay within the terms of the TRS without having to post more capital and thus putting more capital at risk, the terms of the TRS were renegotiated in order to allow disposals of loans in an orderly manner.

Finally, in January 2008, anticipating to a certain extent the steep decline that begun towards the end of January, €53 million in principal amount of loans had been sold, reducing the aggregate TRS exposure, on a traded basis, to €310 million as of 31 January. The January sales incurred a loss of €6 million.

ABS

The Company is currently invested in seven residual income positions of ABS. Six of these ABS are backed by UK non-conforming mortgage loans and one by German Small and Middle Enterprise ("SME") loans. The Company has no exposure to US residential sub-prime mortgages.

At the end of January 2008, the Investment Manager submitted to the Board of Directors a revision of the expected cash flows from five of its UK non-conforming ABS residuals. This revision was the direct consequence of several events: 1) the fact that prepayments before reset continued to be very weak at a time when prepayment penalties are paid to residual holders, 2) the continuation of the UK Libor crisis potentially leading to higher prepayment rates after reset, and 3) the fact that January was the fourth month in a row of decreasing average home prices in the UK and that most surveys turned significantly bearish on future HPA (Home Price Appreciation).

Based on this information, the Board of Directors concurred in an increase in assumed prepayment rate assumptions, while lengthening the period over which higher prepayments are supposed to occur as well as an increase in the loss severity when defaults materialise. The effect of these new assumptions was to shorten materially the Weighted Average Life ("WAL") of the expected cash flows.

The new assumptions have been applied to the five UK non-conforming ABS residuals bought prior to the summer of 2007. The sixth UK non-conforming residual ABS held by Volta has not been affected by the revision given that it was purchased after the summer of 2007 based on different assumptions and that its pool of mortgages has significantly different characteristics.

Table 2 – List of ABS Holdings as of 31 January 2008

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	Arranging institution
PROMISE MOBILITY 2006–1	4.99	Residual of ABS	German SME loans	IKB	Europe non-UK	Deutsche Bank
ALBA 2006–2 PLC	4.25	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	United Kingdom	Credit Suisse
RMAC 2007–NS1	3.73	Residual of ABS	UK non-conforming residential mortgage loans	GMAC-RFC	United Kingdom	HSBC–RBS
ALBA 2007–1 PLC	3.44	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	United Kingdom	Credit Suisse
EUROSAIL 2006–1 PLC	3.24	Residual of ABS	UK non-conforming residential mortgage loans	Capstone	United Kingdom	Lehman Brothers
NEWGATE FUNDING PLC 2006–2	3.16	Residual of ABS	UK non-conforming residential mortgage loans	Mortgage Plc	United Kingdom	Merrill Lynch International
ALBA 2006–1 PLC	2.07	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	United Kingdom	Credit Suisse

CORPORATE CREDITS

The Company focuses on acquiring or creating the equivalent of first loss or junior second loss investment exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. As of 31 January 2008, the exposure to Corporate Credits was obtained through two investments in CDOs managed by AXA IM: Aria II and Jazz III.

Aria II is a bespoke CDO tranche backed by an actively managed portfolio of credit default swaps of mainly investment grade corporate issuers. Aria II has suffered one default during the semi-annual period (Quebecor World Inc.). The impact of this default will be to lower the attachment point of the tranche owned by Volta Finance by approximately 0.10%. As of the end of January, Volta's ARIA II tranche is still at 1.62%–2.62% (the attachment point had previously

been slightly increased following trading gains and does not take into account the expected impact of Quebecor World Inc.'s default). The Weighted Average Risk Factor ("WARF") of the portfolio deteriorated modestly to 436 from 405.

Table 3 – List of Corporate Credit Holdings as of 31 January 2008

Issuer	% GAV	Description of investment	Description of underlying asset	Manager	Principal geographical exposure	ISIN	Arranging institution
ARIA CDO II (IRELAND) PLC	19.30	Bespoke CDO tranche	Majority investment grade corporate credit	Axa Investment Managers Paris	USA	XS0293091673	JP Morgan
JAZZ III CDO (IRELAND) PLC	3.86	Residual of Corporate CDO	Majority investment grade corporate credit	Axa Investment Managers Paris	USA	XS0263617374 XS0263615675	Merrill Lynch International

Table 4 – ARIA II CDO: Technical Specifications

	At 31 January 2008	At 31 July 2007
Nominal Size	€69 million	€69 million
WARF (S&P)	436	405
Number of names	195	208
Attachment/Detachment points	1.62% – 2.62%	1.61% – 2.61%

Table 5 – ARIA II CDO: Portfolio Quality Tests and Concentration Limits

	Limit	At 31 January 2008	At 31 July 2007
Maximum short bucket	10%	0%	0%
Maximum non-investment grade bucket	20%	16.33%	15.4%
Maximum single name Concentration			
Investment grade name	2%	2%	2%
Non-investment grade name	1%	0.9%	0.9%

The second corporate credit investment is in the subordinated debt tranche of Jazz III, a CDO backed by an actively managed cash and synthetic corporate credit portfolio, mainly investment grade.

As of 31 January 2008, both for Jazz III and ARIA II, the Investment Manager believes that further volatility, as well as ongoing trading opportunities, can be expected in the months ahead. At this date, the expected cash flows of both ARIA II and Jazz III remain in line with what was expected at their purchase.

CDO

The Company invests in residual tranches of CDOs managed by third-party managers and selected by AXA Investment Managers Paris. As of 31 January 2008, Volta has invested in 13 residual tranches of CDOs, all of which are investments made prior to 31 July 2007. Eleven of the thirteen tranches are backed by US leveraged loans and two by European leveraged loans. The Company has not invested in any CDOs of ABS.

All of these CDO positions can be expected to benefit from reinvestments they make over a period of five years or more as their cost of funding had been locked in at a low level before the crisis.

As of the end of January, after having reviewed the underlying assumptions for these assets, the Investment Manager expected, especially in the US, the default rate of the market as well as within these CDOs to increase. The Investment Manager also expects the higher than originally assumed cash flows that have been generated so far to be followed by lower cash flows in the future. Overall, this asset class is at present expected to generate over the whole life of the assets the level of cash flows that was expected when those assets were purchased.

Table 6 – List of CDO Holdings as of 31 January 2008

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
TENNENBAUM OPPORTUNITIES FUND V*	2.33	Residual of CLO	High yield bonds	Tennenbaum	USA	N/A	Wachovia Bank,
LIGHTPOINT PAN EUROPEAN CLO PLC	1.92	Residual of CLO	Broadly syndicated loans	Lightpoint	Europe	XS0282169803	Credit Suisse
OCEAN TRAILS CLO I LLC	1.85	Residual of CLO	Broadly syndicated loans	WG Horizons	USA	USG66999AA46	UBS
WASATCH CLO LTD	1.72	Residual of CLO	Broadly syndicated loans	Invesco	USA	USG94608AB57	JP Morgan
KINGSLAND IV LTD	1.33	Residual of CLO	Broadly syndicated loans	Kingsland Capital Management	USA	USG52702AB68	Wachovia Bank N.A.
GOLDEN TREE LOAN OPPORTUNITIES	1.26	Residual of CLO	Broadly syndicated loans	Golden Tree	USA	USG39607AC37	Deutsche Bank
LIGHTPOINT CLO V, LTD	1.23	Residual of CLO	Broadly syndicated loans	Lightpoint	USA	USG5487GAG31	Credit Suisse
OAK HILL EUROPEAN CREDIT PARTNERS PLC	1.21	Residual of CLO	Broadly syndicated loans	Oak Hill	Europe	XS0300349700	Deutsche Bank
SANDS POINT FUNDING LTD	1.15	Residual of CLO	Middle market loans	Guggenheim	USA	USG7800DAA93	Deutsche Bank
BATALLION CLO LTD	1.06	Residual of CLO	Broadly syndicated loans	Brigade Capital	USA	USG08887AA27	Deutsche Bank
CARLYLE HY PART IX	1.00	Residual of CLO	Broadly syndicated loans	Carlyle Management	USA	KYG1908R1048	Lehman Brothers
GALAXY VII CLO LTD	0.78	Residual of CLO	Broadly syndicated loans	AIG	USA	USG25796AB20	Morgan Stanley

4. FUNDING

Volta continues to obtain exposure to leverage through internally leveraged investments such as residual income positions in securitisation structures (e.g. residual interests in CDOs and ABS), as well as through synthetic leveraged investment exposure (through the TRS).

All of Volta's assets, except the TRS, have imbedded leverage that is not directly sensitive to mark-to-market valuation.

Concerning the TRS, which is directly sensitive to mark-to-market valuation, the Investment Manager, after having completed an initial restructuring of its terms at the end of January, is exploring solutions that would mitigate the mark-to-market risk of this investment. Ultimately, that could mean converting the TRS into a term financing, or selling this position with a view to reinvesting the proceeds.

Volta does not, at present, have any direct borrowings but retains the flexibility to resort to this form of financing if and when required. The Company has, with the assistance of the Investment Manager, successfully negotiated during this period a €30 million liquidity line with the objective of increasing the amount of cash available for working capital purposes, for the temporary funding of investments and for certain other purposes.

5. RECENT DEVELOPMENTS

Since 31 January 2008, corporate credit markets have been shaken by strong negative outflows. Market value structures investing in the loan markets (e.g. loan total return swaps, credit opportunity funds, etc) and in the investment grade corporate credit market ("CPPI" and "CPDOs") were forced to deleverage, pushing spreads to levels that cannot be adequately explained solely by credit fundamentals. In particular, loan prices have been drawn to historically and astonishingly low levels and investment grade corporate spreads have widened greatly.

On top of that, ongoing rating methodology reviews by rating agencies and the expectations of rating downgrades that could arise with these reviews have further reduced the number of potential buyers for structured credit assets. This situation seems to be contributing to the substantial price decline of certain assets such as cash flow CDOs. Also, uncertainty about the rating and the future of monolines and SIVs (structured investment vehicles) has continued to weigh on the most senior pieces of the structured credit markets, and primary issuances of leveraged structures has drastically diminished.

Against this background of a credit market characterised by the presence of forced sellers and the "wait-and-see" attitude of most investors, as mentioned in the Company's February Monthly Report, since 31 January 2008, the overall GAV of Volta decreased by €0.79 per share to €6.50 per share as at 29 February 2008. The February mark-to-market variations** of Volta's asset classes were: -32.6% for the TRS, -16.4% for the ABS, -4.2% for the CDOs and -1.1% for Corporate Credit.

Leveraged Loan TRS

Market conditions continued to deteriorate since the end of January 2008, driving prices lower. Significant amounts of loans continue to be offered on the market and the overall state of bank balance sheets does not allow banks to absorb the supply or, even in certain cases, to maintain significant amounts of loans in their books, reinforcing the possibility of further decline in loan prices. Against the background of this worsening outlook and the decision not to post additional collateral, the implementation of the course of action commenced in January 2008 was continued.

As of the end of March 2008, the principal amount of the underlying loan portfolio was reduced by close to €30 million. The sales of loans held in the reference portfolio of the TRS have generated in total €50 million in realised losses at this time. The latest mark-to-market value of the TRS, including realised losses from disposals of underlying loan positions, was €21 million as of 31 March 2008. The Investment Manager believes that the market will remain volatile for several months to come and could execute further sales of loans. Overall, the restructuring of certain terms of the TRS and the gradual process of deleveraging were designed to avoid disorderly forced sales and mitigate as much as possible the adverse impact of deleveraging on the value of this investment, thus preserving the ability of the Company to generate future cash flows through reinvestment.

ABS

As regards the Company's exposure to ABS residual positions, additional information received by the Investment Manager after the end of January 2008 seems to show that refinancing of underlying mortgages at or just after reset could be higher than what was anticipated in the Company's end of January scenario. Given that the indications of such borrower behaviour come from a limited number of pools monitored by the Investment Manager, and given that the capacity and willingness of lenders to extend mortgages changes almost daily in the current circumstances, one should be cautious when trying to extrapolate any kind of pattern for the coming months. Nevertheless, if high prepayments continue to materialise, such a trend will have a worse impact on expected cash flows from the ABS positions, especially on 2006 pools, than was anticipated in the January monthly report.

CDO

As regards the Company's positions in residual tranches of CDOs, specifically equity tranches of US CLOs representing 11 of the 13 positions in this asset class, we expect defaults to increase for 2008. Nevertheless, thanks to healthy corporate balance sheets (with the exceptions of the automotive, the paper industry and homebuilder sector) a rise in defaults that would significantly impact cash flows due to residual interest holders seems unlikely in the short term but cannot be ruled out at this point. If the economic situation develops into a broad consumer recession caused by declining household wealth and over-leverage, a broader array of companies are likely to become stressed. Such an economic contagion is likely to have a material impact on US CLOs, potentially resulting in cash flows being diverted away from the equity-level tranches. At this stage, however, given the strong action that has been taken by the US Federal Reserve and the US Government, this scenario is neither the consensus nor our main scenario.

Corporate Credit

As regards the Company's exposure to Corporate Credit, since the end of January, Volta's holdings in first or junior second loss positions of diversified portfolios of investment grade and sub-investment grade corporate credits have demonstrated a certain degree of resilience. The notable widening of spreads in corporate credit, linked mostly to technical factors, and the relative stability, in terms of fundamentals, of the underlying portfolio could be expected to present trading opportunities.

6. OUTLOOK

Overall, such a challenging environment may provide investment opportunities. Due to the excess of sellers over buyers, in certain market segments part of the increase in discount margin could be considered as an increase of the premium for investment that exceeds the increase in risk, based on objective credit fundamentals. Liquidity, incertitude on maturity or on rating methodology is now much more priced in than it was few quarters ago.

Thanks to regular cash inflows from the interest payments, prepayments and amortisation of assets, and, potentially, proceeds from the redeployment of existing investments, Volta is likely to be in a good position to take advantage of investment opportunities as they arise.

At the time of writing this statement, various investment opportunities are being explored, including in corporate credit, CLOs or even potentially certain types of RMBS assets.

Nevertheless, we do not believe that there is any reason for precipitate action in investing the cash held by the Company over the upcoming weeks. Considering that the volatility in the structured finance markets as well as in credit markets will likely last several months, we prefer to take the necessary time in picking the attractive investment opportunities as they arise in the midst of such turbulence.

AXA INVESTMENT MANAGERS PARIS

3 April 2008*

* The Company's last monthly report was published for the month of February 2008.

** These "Mark-to-market variations" ("MtM") are calculated as the Dietz-performance of the assets in each bucket, taking into account the MtM of the assets at month end, payments received from the assets over the period, and assuming that changes in cross currency rates have no impact given that Volta Finance implements a currency hedge on non-euro assets. Nevertheless, some residual currency effects could impact the aggregate value of the portfolio when aggregating each bucket.

PORTFOLIO VALUATION

The Company publishes its Gross Asset Value on a monthly basis and its Net Asset Value on a semi-annual basis.

The calculation of the Gross Asset Value and the Net Asset Value of the Company may be suspended in situations where the underlying data needed to value the investments cannot readily, or without undue expenditure, be obtained by the Company. Details of any suspension in making such calculations would be announced in a manner that complies with the rules of Euronext Amsterdam.

Currently, for the majority of investments targeted by the Company, the secondary trading market is generally illiquid. As a result, there are no regularly reported market prices for these investments. Moreover, there may not be an agreed industry standard methodology for valuing the investments (e.g. in the case of residual income positions of asset-backed securitisations).

The Company's policy is to derive its Net Asset Value and Gross Asset Value totals on an ongoing basis in the following manner:

- **Case A:** Financial assets for which quoted prices are available from a third party in a liquid market are valued monthly on the basis of quoted bid prices. In this regard, for liquid assets, an external market pricing service may be the source of price quotations.
- **Case B:** In the case of investments where the fair value of the investment can be readily ascertained by reference to the market values of liquid underlying assets (as for the TRS), the counterparty or sponsor generally provides the valuation of the investment position, using the mark-to-market valuation of the underlying assets (minus, where applicable, the investment's internal funding or other liability). In the case of the TRS or other similar arrangements, the Investment Manager has agreed in the Investment Management Agreement that it will report semi-annually to the Company on how the valuations used by the counterparty on underlying loans from time to time compare to valuations from an external third-party pricing service.
- For illiquid financial assets, the method of ongoing valuation depends upon the nature of the asset.
- **Case C:** Where a financial asset involves an arranging bank that provides valuations on a monthly basis together with its related main valuation assumptions (as may, for example, be the case with a cash CDO), the valuations are sourced from such arranging bank. In many cases, the arranging bank determines a valuation based upon pricing models which may or may not produce values that correspond to the prices that the Company could obtain if it sought to liquidate the positions. Such pricing models generally involve a number of valuation assumptions, many of which are based on subjective judgements. The Investment Manager has agreed in the Investment Management Agreement to review the main assumptions of the arranging banks semi-annually to evaluate whether they appear, in the judgements of the Investment Manager, fair and reasonable and to report its conclusions in this regard to the Portfolio Administrator and the Company. **The Investment Manager has reviewed those main assumptions as of 31 January 2008 and has concluded that the assumptions of the arranging banks appear, in its judgement, fair and reasonable.** The work done by the Investment Manager does not, however, represent a "fairness" or similar opinion and should not be regarded as such. When and where required, the Portfolio Administrator may then approach the relevant banks for clarifications or adjustments.
- The Company will use reasonable endeavours to engage an independent third party to review semi-annually the main assumptions employed by the arranging banks and to report on the fairness and reasonableness of those assumptions and of the valuations to the Portfolio Administrator and the Company. **Third parties have reviewed those main assumptions and valuations as of 31 January 2008 and have concluded that they were fair and reasonable.** Where a third party challenges an arranging bank's valuations on this basis, the Company will consider engaging such third party (or one or more other third parties, such as, for example, an investment bank or the seller of the underlying assets) to provide a valuation, or will adopt some other method of valuing the position.
- **Case D:** Where a financial asset does not involve an arranging bank (as, for example, with infrastructure assets), or if an arranging bank is unwilling to provide valuations and related main valuation assumptions on a monthly basis (as may, for example, be the case with some asset-backed securities' residual positions), the Investment Manager has agreed in the Investment Management Agreement that it will provide a monthly valuation based on a pricing model. In the case of infrastructure assets, however, the Investment Manager valuation will be provided on a quarterly basis. In valuing infrastructure assets, a discounted cash flow method will be used. The cash flow projections for the relevant projects will be reviewed by the Investment Manager and the discount rate to be applied will depend on a market premium (considering, to the extent practicable, the same type of transactions launched recently and market publications). With regard to any such valuations provided by the Investment Manager, the Company will use reasonable endeavours to engage an independent third party to review semi-annually the main valuation assumptions employed by the Investment Manager and to

report on the fairness and reasonableness of those assumptions and the valuations to the Portfolio Administrator and the Company. **When and where required, third parties have reviewed these assumptions and valuations as of 31 January 2008 and have concluded that they were fair and reasonable.** If the third party challenges the Investment Manager's valuations on this basis, the Company will consider engaging such third party (or one or more other third parties, such as, for example, an investment bank or the seller of the underlying assets) to provide a valuation, or will adopt some other method of valuing the position.

DIRECTORS, MANAGEMENT, ADMINISTRATION AND ADVISORS

VOLTA FINANCE LIMITED

Company registration number 45747 (Guernsey, Channel Islands)

REGISTERED OFFICE

First Floor
Dorey Court
Admiral Park
St. Peter Port
Guernsey GY1 6HJ
tel: +44 (0)1481 749610
e-mail: volta.finance@mourant.com
website: www.voltafinance.com

DIRECTORS

Peter Crook – Chairman and Independent Director
Christophe Demain – Class B Director
Christian Jimenez – Senior Independent Director
Joan Musselbrook – Independent Director
Paul Varotsis – Independent Director

AUDITORS

KPMG Channel Islands Limited
20 New Street
St. Peter Port
Guernsey GY1 4AN

COMPANY SECRETARY, ADMINISTRATOR AND REGISTRAR

Mourant Guernsey Limited
First Floor
Dorey Court
Admiral Park
St. Peter Port
Guernsey GY1 6HJ

INVESTMENT MANAGER

AXA Investment Managers Paris
Coeur Défense
Tour B-La Défense 4
100, Esplanade de Général de Gaulle
92932 Paris La Défense Cedex
France

CUSTODIAN AND PORTFOLIO ADMINISTRATOR

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LISTING AGENT AND PAYING AGENT

ING Bank N.V.
Van Heenvlietlaan 220
1083 CN Amsterdam
The Netherlands

INDEPENDENT REVIEW REPORT
TO VOLTA FINANCE LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2008 which comprises the unaudited condensed balance sheet, unaudited condensed income statement and the unaudited condensed statements of changes in shareholders' equity and cash flows and the related notes on pages 20 to 37. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement contained within our engagement letter dated 8 February 2008. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Euronext rules.

As disclosed in note 1, the annual financial statements of the company will be prepared in accordance with IFRS. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Euronext rules.

KPMG Channel Islands Limited

3 April 2008.

UNAUDITED CONDENSED INCOME STATEMENT

FOR THE PERIOD ENDED 31 JANUARY 2008

	Notes	**1 August 2007 to 31 January 2008 €**	31 October 2006 to 31 July 2007 €
OPERATING INCOME:			
Deposit interest income	5	**1,970,544**	3,482,735
Effective interest income on available for sale securities	5	**13,239,539**	10,866,772
Income from Total Return Swap	5	**1,186,058**	3,003,812
Net income on settlement of forward foreign exchange contracts held to off-set effective interest income on investments	5	**472,141**	—
		16,868,282	17,353,319
OPERATING EXPENDITURE:			
Legal fees		**(342,731)**	(139,312)
Audit fees		**(150,000)**	(243,225)
Investment management fees		**(1,631,316)**	(2,503,966)
Custodian fees		**27,818**	(55,651)
Administration and accountancy fees		**(328,318)**	(262,610)
Directors' remuneration	6	**(275,589)**	(429,544)
Insurance		**(20,919)**	(23,772)
Other operating expenses		**(77,728)**	(32,274)
		(2,798,783)	(3,690,354)
OPERATING PROFIT:		**14,069,499**	13,662,965
UNREALISED PROFITS/LOSSES:			
Unrealised loss on Total Return Swap	4,5	**(22,493,520)**	(10,176,780)
Unrealised gain on forward foreign exchange contracts	5	**6,978,280**	523,110
Unrealised loss on financial assets at fair value through profit or loss	5	**(4,363,705)**	(21,800,142)
Unrealised foreign exchange (loss)/gain on available-for-sale debt securities	5	**(11,199,014)**	841,919
Provision for impairments on available-for-sale debt securities	5	**(10,541,439)**	—
Net foreign exchange (loss)/gain on other assets	5	**(689,707)**	10,679
		(42,309,105)	(30,601,214)
LOSS FOR THE PERIOD		**(28,239,606)**	(16,938,249)
Loss per ordinary share			
Basic	8	**(0.9408)**	(0.5645)
Diluted	8	**(0.9408)**	(0.5645)

		Number of shares	
Weighted average ordinary shares outstanding			
Basic	8	**30,015,465**	30,003,889
Diluted	8	**30,015,465**	30,003,889

The notes on pages 20 to 37 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED BALANCE SHEET
AS AT 31 JANUARY 2008

	Notes	**31 January 2008 €**	31 July 2007 €
ASSETS			
Non-current assets			
Available-for-sale securities	9	**101,949,466**	119,741,762
Financial assets at fair value through profit or loss	10	**42,087,929**	46,920,000
Open forward foreign exchange contracts	13	**6,746,217**	407,525
Investment in TRS	12	**38,579,700**	61,073,220
		189,363,312	228,142,507
Current assets			
Open forward foreign exchange contracts	13	**755,173**	115,585
Trade and other receivables	14	**2,831,819**	3,276,911
Cash and cash equivalents	11	**26,244,615**	31,669,340
		29,831,607	35,061,836
TOTAL ASSETS		**219,194,919**	263,204,343
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	17	**—**	—
Share premium	18	**177,990**	87,923
Warrants	18	**1,410,000**	1,410,000
Other distributable reserves	19	**272,993,894**	285,001,174
Net unrealised fair value movements on available-for-sale securities	19	**(12,647,771)**	(9,435,539)
Accumulated loss	19	**(45,177,855)**	(16,938,249)
TOTAL SHAREHOLDERS' EQUITY		**216,756,258**	260,125,309
LIABILITIES			
Current liabilities			
Trade and other payables	15	**2,438,661**	3,079,034
TOTAL EQUITY AND LIABILITIES		**219,194,919**	263,204,343
Net asset value per ordinary share outstanding			
Basic		**€7.2200**	€8.6681
Diluted		**€7.2200**	€8.6681

These condensed interim financial statements on pages 16 to 37 were approved by the Board of Directors on 3 April 2008 and were signed on its behalf by:

Peter Crook	**Christian Jimenez**
Chairman	Senior Independent Director

The notes on pages 20 to 37 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD ENDED 31 JANUARY 2008

	Notes	Ordinary shares €	Share premium €	Warrants €	Other distributable reserves €	Accumulated loss €	Available-for-sale securities unrealised losses €	Total €
Balance at 31 October 2006		—	—	—	—	—	—	—
Issue of ordinary shares on incorporation	18	—	20	—	—	—	—	20
Issue of Class B share prior to IPO	18	—	10	—	—	—	—	10
Repurchase of ordinary shares post IPO	18	—	(20)	—	—	—	—	(20)
Issue of ordinary shares on IPO	18	—	300,000,000	—	—	—	—	300,000,000
Value of warrants issued on IPO	18	—	—	1,410,000	—	—	—	1,410,000
IPO issue costs (including value of warrants)	18	—	(14,998,836)	—	—	—	—	(14,998,836)
Cancellation of share premium account	18	—	(285,001,174)	—	285,001,174	—	—	—
Net unrealised loss on available-for-sale securities	5	—	—	—	—	—	(9,435,539)	(9,435,539)
Issue of ordinary shares to Directors	18	—	87,923	—	—	—	—	87,923
Net loss for the period	19	—	—	—	—	(16,938,249)	—	(16,938,249)
Balance at 31 July 2007		**—**	**87,923**	**1,410,000**	**285,001,174**	**(16,938,249)**	**(9,435,539)**	**260,125,309**
Issue of ordinary shares to Directors	18	—	90,067	—	—	—	—	90,067
Net loss for the period	19	—	—	—	—	(28,239,606)	—	(28,239,606)
Net unrealized loss on available-for-sale securities recognised in the period	5	—	—	—	—	—	(6,185,018)	(6,185,018)
Impairment on available-for-sale securities previously recognised as an unrealised loss in the prior period	5	—	—	—	—	—	2,972,786	2,972,786
Dividends		—	—	—	(12,007,280)	—	—	(12,007,280)
Balance at 31 January 2008		**—**	**177,990**	**1,410,000**	**272,993,894**	**(45,177,855)**	**(12,647,771)**	**216,756,258**

The notes on pages 20 to 37 form part of these Condensed Interim Financial Statements

UNAUDITED CONDENSED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 JANUARY 2008

	Notes	**1 August 2007 to 31 January 2008 €**	31 October 2006 to 31 July 2007 €
Cash flows generated from operating activities			
Cash generated generated from operations	21	**19,822,331**	18,062,060
Cash flows from investing activities			
Purchase of investments		**(13,239,776)**	(201,553,885)
Amount placed on deposit as collateral under the TRS		**—**	(71,250,000)
Net cash from investing activities		**(13,239,776)**	(272,803,885)
Cash flows (used in)/derived from financing activities			
Proceeds from issue of ordinary shares during the period		**—**	300,000,000
IPO issue costs		**—**	(13,588,835)
Dividend paid		**(12,007,280)**	—
Net cash (used in)/derived from financing activities		**(12,007,280)**	286,411,165
Net (decrease)/increase in cash and cash equivalents		**(5,424,725)**	31,669,340
Cash and cash equivalents at beginning of the period		**31,669,340**	—
Cash and cash equivalents at end of the period	11	**26,244,615**	31,669,340

Cash generated from operations

Cash generated from operations for the period of €183,602 includes the following interest receipts:

	1 August 2007 to 31 January 2008 €	31 October 2006 to 31 July 2007 €
Deposit interest	**841,336**	2,178,658
Collateral interest	**1,131,984**	1,109,667

The notes on pages 20 to 37 form part of these Condensed Interim Financial Statements.

1. REPORTING ENTITY

The Company was registered on 31 October 2006 with registered number 45747. The Company is a closed-ended limited liability Company registered in Guernsey under the Companies (Guernsey) Laws, 1994 to 1996 (as amended). The Company's IPO closed on 20 December 2006 and its shares are listed on Euronext Amsterdam. The registered office of the Company is Dorey Court, Admiral Park, St. Peter Port, Guernsey GY1 6HJ, Channel Islands.

As of 31 January 2008 the principal activity of the Company was investment in a diversified portfolio of mortgage-backed and other asset-backed securities, loans and equity instruments. Subject to the risk factors described in the Prospectus, the Company's investment objective are to seek to preserve capital and provide a stable stream of income to shareholders through dividends that it expects to distribute on a semi-annual basis. It seeks to attain its investment objectives by pursuing a multi-asset class investment strategy. There can be no assurance that the Company will achieve its investment objectives. The strategy focuses on direct and indirect investment in and exposures to a variety of assets selected for the purpose of generating overall stable and predictable cash flows for the Company. The Company's basic approach to investment in these Primary Underlying Assets is to invest in vehicles and arrangements that essentially provide leveraged exposure to portfolios of Primary Underlying Assets.

The initial portfolio of assets (excluding the TRS) was purchased under warehousing agreements entered into with Citigroup Global Markets Limited and Wachovia Capital Markets LLC (the "Warehousing Banks"). Under the warehousing agreements the Warehousing Banks assembled certain asset-backed securities and residual CDO interests. These securities were then purchased by the Company at the closing date via forward purchase agreements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The Directors of the Company have chosen not to present quarterly financial statements. Semi-annual unaudited condensed financial statements are prepared in addition to annual audited financial statements.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, with the exception that, they have been presented in unconsolidated format. In September 2007, the Company purchased an investment in RMAC Securities No. 1 PLC, Series 2007-NS1 ("NS1-07"). The full year financial statements to 31 July 2008 will be presented in consolidated format, consolidating the Company's investment in NS1-07. These condensed interim financial statements have been prepared in unconsolidated format in accordance with the rules of Euronext Amsterdam, which state that it is at the discretion of the issuer whether to publish interim financial statements in consolidated or non-consolidated form.

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the period ended 31 July 2007. The financial statements of the Company as at and for the period ended 31 July 2007 were prepared in accordance with International Financial Reporting Standards ("IFRS").

Applicable new standards and interpretations not yet effective

In August 2005, the IASB issued IFRS 7 – "Financial Instruments: Disclosure" which became effective for periods starting on or after 1 January 2007. The standard requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements of IAS 32 – "Financial Instruments: Disclosure and Presentation". IFRS 7 also requires information about the extent to which the entity is exposed to risks arising from financial instruments and a description of management's objectives, policies and processes for managing those risks. The Company will make these disclosures in full in its Annual Report and Accounts for the year ended 31 July 2008.

In August 2005, the IASB issued amendments to IAS 1 – "Presentation of Financial Statements – Capital Disclosures" which becomes effective for periods starting on or after 1 January 2007. The standard requires disclosures about the entity's objectives, policies and processes for managing capital. The Company will apply the amendments to IAS 1 in its Annual Report and Accounts for the year ended 31 July 2008.

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following:

- derivative financial instruments are measured at fair value, with movements in fair value being recognised in the Income Statement;
- available-for-sale financial assets are measured at fair value, with movements in fair value being taken directly to equity;
- financial instruments designated at fair value through profit or loss are measured at fair value and changes therein are recognised in the Income Statement; and
- the methods used to measure fair value are further disclosed in Note 3. All other financial instruments are measured at amortised cost.

c) Functional and presentation currency

These financial statements are presented in Euros, which is the Company's functional and presentation currency.

d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Note 3 – Determination of fair values and also on pages 12 and 13 of these condensed interim financial statements.

The estimates and underlying assumptions are reviewed on a semi-annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

e) Foreign currencies

Transactions in foreign currencies, other than Euro, are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Euro at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency differences arising on retranslation are recognised in the Income Statement.

f) Financial instruments

Financial assets and financial liabilities are initially recognised on the Company's Balance Sheet when the Company becomes party to the contractual provisions of a given instrument.

Regular way purchases and sales of financial instruments are recognised on the trade date. Gains and losses are recognised from that date.

Financial assets are derecognised when the contractual rights to cash flows from the assets expire or the Company transfers the financial assets and substantially all of the risks and rewards of ownership have been transferred.

Financial liabilities are derecognised when the liabilities are extinguished.

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

2. BASIS OF PREPARATION (CONTINUED)

f) Financial instruments (continued)

Cash comprises cash balances and call deposits with banks. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Available-for-sale financial assets

The Company's investments in equity and certain debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the asset. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the host contract contains one or more embedded derivatives as permitted by IAS 39 – "Financial Instruments: Recognition and Measurement". Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

(ii) Derivative financial instruments

The Company holds derivative financial instruments to minimise its exposure to foreign exchange, interest rate and market risks as well as for economic leveraging. Derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the Income Statement.

The fair value of the Forward Exchange Contracts is measured as their quoted market price at the balance sheet date, being the present value of their quoted forward price. The fair value of the TRS is provided by the Swap Counterparty (Bank of America, NA), using the mark-to-market valuations of the underlying assets.

(iii) Embedded derivatives

Embedded derivatives in financial instruments and other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contracts are not carried at fair value with unrealised gains and losses reported in the Income Statement.

g) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction in equity, net of any tax effects. The initial set up costs of the Company and the expenses directly relating to the IPO have been charged to the share premium account.

h) Impairment

A financial asset is assessed on a semi-annual basis to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Such evidence that a financial asset is impaired includes observable data that comes to the attention of the Company about any of the following loss events:

1) significant financial difficulty of the issuer or obligor;
2) a breach of contract, such as a default or delinquency in interest or principal payments, granting to the borrower a concession that the lender would not otherwise consider;
3) it becomes probable that the borrower will enter bankruptcy, administration or other analogous financial reorganisation; or
4) the disappearance of an active market for that financial asset because of financial difficulties.

2. BASIS OF PREPARATION (CONTINUED)

h) Impairment (continued)

If any such indication exists, an impairment loss in relation to an available-for-sale financial asset is recognised in the income statement as the difference between its amortised cost and its current fair value.

An impairment loss in respect of a financial asset measured at amortised cost is recognised in the income statement, calculated as the difference between its carrying amount and the present value of the future estimated cash flows discounted at the original effective rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

i) Provisions

A provision is recognised if, as a result of a past event, the Company has a legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to that liability.

j) Revenue and expenses

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Expenses are accounted for on an accruals basis.

k) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposals of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognised in the Income Statement on the date the Company's right to receive payments is established which is usually the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of discounts on provisions, changes in the fair value of financial assets held at fair value through profit or loss, realised losses on disposal of available-for-sale securities and financial assets held at fair value through profit or loss and impairment losses recognised on financial assets.

Foreign currency gains and losses are reported in the Income Statement on a net basis.

l) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders for the effects of all dilutive potential ordinary shares, which comprise the Warrants issued to the Investment Manager. For further details please see Note 8.

m) Transaction costs

Expenses incurred by the Company that were directly attributable to its Initial Public Offering ("IPO") were charged directly to the share premium account. Share options granted at formation to the Investment Manager were treated as an expense on the basis that they were granted as a fee for services performed by the Investment Manager in the course of the offer process.

2. BASIS OF PREPARATION (CONTINUED)

n) Taxation

The Company is classified as exempt for taxation purposes under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and as such incurs a flat fee (presently £600 per annum). No other taxes are incurred in Guernsey.

o) Dividends payable

Dividends payable on ordinary shares are recognised in the Statement of Changes in Shareholders' Equity when approved by the shareholders.

Dividends are payable out of the Company's distributable reserves available in accordance with the Companies (Guernsey) Laws, 1994 to 1996 (as amended). Incentive fees are calculated with reference to Distribution Income.

On 9 November 2006 the Company adopted a resolution cancelling the amount standing to the share premium account immediately following closing of the IPO and crediting such amount to distributable reserves.

Dividends are determined on a semi-annual basis with reference to Distribution Income rather than IFRS profits/losses.

p) Distribution Income

The full definition of Distribution Income may be found in the Company's Prospectus and is reproduced on page 37. The calculation of Distribution Income for the period can be found on page 37.

q) Offsetting

Financial assets and liabilities are offset and the net amount is reported within assets and liabilities where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The Company's policy on portfolio valuation is set out on pages 12 and 13.

Financial assets for which quoted prices are available from a third party in a liquid market are valued monthly on the basis of quoted market prices. In this regard an external pricing service may be the source of the price quotations.

In the case of investments where the fair value of the investment can be readily ascertained with reference to the market values of liquid underlying assets (as for the TRS), the counterparty or sponsor will provide the valuation of the investment position using the mark-to-market valuations of the underlying assets (minus where applicable, the investment's internal funding or other liabilities).

In the absence of an active market for an investment, a mark–to–model approach has been adopted to determine the valuation. Such pricing models generally involve a number of valuation assumptions, many of which are based on subjective judgements. Key model inputs include: asset spreads; expected defaults and expected recovery rates. These inputs are derived by reference to a variety of market sources. The method of valuation depends on the nature of the asset.

Where a financial asset involves an arranging bank that provides valuations on a monthly basis together with its related main valuation assumptions, the valuation is sourced from such arranging bank. In many cases, the arranging bank determines the valuation based on pricing models, which may or may not produce values that correspond to the prices that the Company could obtain if it sought to liquidate such positions.

Where a financial asset does not involve an arranging bank, or if an arranging bank is unwilling to provide valuations and related main valuation assumptions on a monthly basis, the Investment Manager will provide a monthly valuation based on a pricing model. In the case of infrastructure assets, a discounted cash flow method will be used.

When and where required, third parties have reviewed these assumptions and valuations as of 31 January 2008 and have concluded that they were fair and reasonable.

The fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

3. DETERMINATION OF FAIR VALUES (CONTINUED)

The fair value calculations for the equity tranche investments in securitisation vehicles are sensitive to the key model inputs, in particular to defaults and recovery rates. The initial model assumptions are reviewed on a regular basis with reference to both current and projected data. In the case of a material change in the actual rates from the historical rates, then the model assumptions will be adjusted accordingly.

If, over the lifetime of an individual deal, defaults and recoveries diverge from their long–term historical norms, then the actual returns may differ from the current levels projected by the model, which would impact upon the net assets of the Company and its distributable income.

As of 31 of January, Volta's assets fair values have been determined as described above. The split between the different methodologies is as follows.

	31 January 2008		31 July 2007	
	€m	**% NAV**	€m	% NAV
Case B	**38.6**	**17.6%**	61.1	23.2%
Case C	**90.6**	**41.3%**	103.6	39.4%
Case D	**53.5**	**24.4%**	63.0	24.0%

Further detail of the valuation methodology is given on pages 12 and 13.

4. PROVISIONS FOR IMPAIRMENT

Provision for impairments on available-for-sale debt securities and the Total Return Swap

In January 2008, deteriorating conditions in the leveraged loan market and the decrease in UK housing prices combined with significant changes in the prepayment rate for UK non-conforming mortgage pools led the Company, based on the Investment Manager's advice, to revise downwards the expected cash flows of the Leveraged Loan TRS (the "TRS") and five UK non-conforming ABS residuals. These revisions negatively affected the Distribution Income for the semi-annual period ended 31 January 2008 in amounts equal to the discounted value of the difference between the previous and the current series of expected cash flows for each asset class, namely -€40.5 million for the TRS and -€8.8 million for the five UK non-conforming ABS residuals.

As the five UK non-conforming ABS residuals are classified as "available–for–sale securities" under IFRS, their impairment as described above negatively affected the Income Statement of the Company by €10.5 million, an amount equal to the difference between their book value and their mark-to-market value as of the end of January. Under IFRS, the fall in the mark-to-market value of derivative and embedded derivative financial instruments, assets held for trading, or assets designated as "financial assets at fair value through profit or loss" negatively affect the IFRS Net Income, regardless of whether or not such a fall is indicative of a drop in the expected cash flows from these assets.

Since the end of January 2008, a further decline in the mark-to-market value of all of the Company's assets has occurred. The biggest drops affect the UK non-conforming ABS residuals and the TRS, and are likely to be reflected in a further reduction in expected cash flows from those assets.

5. FINANCE INCOME AND EXPENSE

Recognised in profit or loss

	31 January 2008 **€**	31 July 2007 €
Deposit interest income	**1,970,544**	3,482,735
Effective interest income on available for sale securities	**13,239,539**	10,866,772
Income from Total Return Swap	**1,186,058**	3,003,812
Net income on settlement of forward foreign exchange contracts held to hedge effective interest income on investments	**472,141**	—
Unrealised gain on forward foreign exchange contracts	**6,978,280**	523,110
Unrealised foreign exchange gain on available-for-sale debt securities	**—**	841,919
Net foreign exchange gain on other assets	**—**	10,679
Finance income	**23,846,562**	18,729,027
Unrealised loss on Total Return Swap	**(22,493,520)**	(10,176,780)
Unrealised loss on financial assets at fair value through profit or loss	**(4,363,705)**	(21,800,142)
Unrealised foreign exchange loss on available-for-sale debt securities	**(11,199,014)**	—
Net foreign exchange loss on other assets	**(689,707)**	—
Provision for impairments on available-for-sale debt securities	**(10,541,439)**	—
Finance expense	**(49,287,385)**	(31,976,922)
Net finance expense recognised in profit or loss	**(25,440,823)**	(13,247,895)
Recognised directly in equity		
Net change in fair value of available-for-sale financial assets	**(3,212,232)**	(9,435,539)
Net finance expense recognised directly in equity	**(3,212,232)**	(9,435,539)

6. DIRECTORS' REMUNERATION

	31 January 2008 **€**	31 July 2007 €
Directors' fees (cash element)	**187,749**	296,154
Directors' fees (equity element, settled during the period)	**53,464**	87,923
Directors' fees (equity element, settled after the period end)	**27,000**	39,000
Directors' expenses	**7,376**	6,467
	275,589	429,544

7. DIVIDENDS

	31 January 2008 **€**	31 July 2007 €
Recommended final dividend for the period ended 31 January 2008 of €Nil per share (period ended 31 July 2007: €0.40 per share)	**—**	12,007,280

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following information:

	31 January 2008 **€**	31 July 2007 €
Loss for the purposes of basic loss per share being net loss attributable to equity holders	**(28,239,606)**	(16,938,249)

	31 January 2008 **Number**	31 July 2007 Number
Weighted average number of ordinary shares for the purposes of basic loss per share	**30,015,465**	30,003,889
Dilutive effect of ordinary shares subject to warrants	**—**	—
Warrants (exercisable at €10 per share)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**30,015,465**	30,003,889

8. LOSS PER SHARE (CONTINUED)

The average market price, based on closing prices quoted on Euronext Amsterdam, for one ordinary share during the six month period to 31 January 2008 was €6.82 (€9.23 during the period to 31 July 2007).

9. AVAILABLE-FOR-SALE SECURITIES

	€	31 January 2008 Unrealised losses €	31 January 2008 Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	9,180,998	(1,095,043)	8,085,955
CDO assets	44,310,098	(8,992,534)	35,317,564
ABS assets	65,043,518	(11,590,396)	53,453,122
	118,534,614	(21,677,973)	96,856,641
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	6,604,061	(1,511,236)	5,092,825
Total available-for-sale securities	125,138,675	(23,189,209)	101,949,466

	€	31 July 2007 Unrealised losses €	31 July 2007 Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	9,904,616	(991,540)	8,913,076
CDO assets	50,489,758	(4,453,672)	46,036,086
ABS assets	66,502,252	(3,460,754)	63,041,498
	126,896,626	(8,905,966)	117,990,660
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	2,280,675	(529,573)	1,751,102
Total available-for-sale securities	129,177,301	(9,435,539)	119,741,762

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As noted above, financial instruments are designated at fair value through profit or loss if the host contract contains one or more embedded derivatives as permitted by IAS 39 – "Financial Instruments: Recognition and Measurement". Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Financial assets at fair value through profit or loss	**31 January 2008 €**	31 July 2007 €
Fair value/purchase price	**46,920,000**	69,000,000
Coupons received	**(6,373,157)**	(3,384,761)
Interest income recognized	**6,017,262**	3,218,146
Interest income accrued	**(112,471)**	(113,243)
Unrealised movement in fair value	**(4,363,705)**	(21,800,142)
Fair value	**42,087,929**	46,920,000

11. CASH AND CASH EQUIVALENTS

	31 January 2008 €	31 July 2007 €
Deposit accounts	**26,244,615**	31,669,340

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short-term highly-liquid investments with a maturity of three months or less.

12. INVESTMENT IN TOTAL RETURN SWAP

	31 January 2008	31 July 2007
	€	€
Collateral posted with Deutsche Bank	**15,750,000**	15,750,000
Collateral posted with Bank of America	**55,500,000**	55,500,000
Fair value of the TRS	**(32,670,300)**	(10,176,780)
	38,579,700	61,073,220

The Company has placed €71,250,000 on deposit with Deutsche Bank and Bank of America (the “Swap Counterparty”) as collateral. The fair value of the TRS as at 31 January 2008 has been netted off the collateral balance as the Company is bound, when amounts are due and payable, by a legally enforceable right to set off the recognised amounts under the TRS confirmation (the “TRS Agreement”) and the Company has an intention to settle on a net basis and realise the asset and settle the liability simultaneously.

Financial assets and liabilities are offset and the net amount is reported within assets and liabilities where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The purpose of the TRS is to provide exposure on a leveraged basis to a diversified pool of leveraged loans (including senior secured, second lien and mezzanine loans) selected by the Investment Manager. The amount of collateral posted under the TRS is dependent on the size of the portfolio and the proportion of senior secured, second lien and mezzanine loans making up the portfolio.

On each TRS payment date, the Swap Counterparty pays the Company an amount representing the return on the referenced loans underlying the TRS, realised capital appreciation arising from the sale of any underlying assets and the repayment or prepayment of underlying loans. The Company pays the Swap Counterparty an amount comprising the floating rate interest calculated by reference to the aggregate notional amount of the referenced loans, any fees and expenses incurred by the Swap Counterparty in respect of the transaction, deferred payments and any realised capital depreciation. Only the net amount due between the Company and the Swap Counterparty is payable or accrued on each payment date.

Leverage	**31 January 2008**	31 July 2007
Market value of the investments under the TRS	**€322,376,803**	€334,839,661
Market value of the TRS	**€38,579,700**	€61,073,220
Leverage	**8.36 times**	5.48 times

The market value of the TRS has decreased significantly subsequent to the period end and the TRS structure has been significantly deleveraged subsequent to the period end, both as described in Note 24.

13. OPEN FORWARD FOREIGN EXCHANGE CONTRACTS

	31 January 2008	31 July 2007
	€	€
Open forward foreign exchange contracts - non-current assets	**6,746,217**	407,525
Open forward foreign exchange contracts - current assets	**755,173**	115,585
	7,501,390	523,110

14. TRADE AND OTHER RECEIVABLES

	31 January 2008	31 July 2007
	€	€
Accrued interest receivable	**191,632**	194,409
Accrued effective interest receivable	**2,402,841**	2,256,674
Accrued income receivable on TRS	**237,346**	825,828
	2,831,819	3,276,911

15. TRADE AND OTHER PAYABLES

	31 January 2008 €	31 July 2007 €
Investment management fees	**1,631,316**	2,503,967
Directors' fees (cash payable)	**63,000**	81,000
Directors' fees (shares payable)	**27,000**	39,000
Directors' expenses	**—**	2,000
Accrued expenses and other payables	**717,345**	453,067
	2,438,661	3,079,034

16. LIQUIDITY FACILITY

On 30 January 2008 the Company concluded a €30m 364 day revolving Facility Agreement with Citibank N.A. London Branch in order to maximise the Company's financial management flexibility. Under this liquidity facility the Company may draw up to €30m. This facility bears a facility fee calculated at 0.15% p.a. on any undrawn amounts. As at 31 January 2008, and up to the date of approval of these condensed interim financial statements, no draw downs have been made under this facility.

17. SHARE CAPITAL

Authorised:

	31 January 2008 Number of shares	31 July 2007 Number of shares
Ordinary shares of no par value each	Unlimited	Unlimited
Class B convertible ordinary share of no par value	1	1
Class C non-voting convertible ordinary shares of no par value each	Unlimited	Unlimited

The authorised share capital of the Company comprises an unlimited number of voting, non-convertible ordinary shares with no par value each, a single voting, convertible Class B share of no par value and an unlimited number of non-voting convertible Class C shares of no par value each.

Issued and fully paid:

	Ordinary number of shares	B share number of shares	C shares number of shares	Warrants number of shares
Issued on incorporation	2	—	—	—
Issued during the period	30,000,000	1	—	30,000,000
Issued to Directors during the period	9,316	—	—	—
Repurchased during the period	(2)	—	—	—
Balance at 31 July 2007	**30,009,316**	**1**	**—**	**30,000,000**
Issued to Directors during the period	12,295	—	—	—
Balance at 31 January 2008	**30,021,611**	**1**	**—**	**30,000,000**

The initial public offering of ordinary shares on 20 December 2006 was priced at €10 per share.

The first issue of shares to Directors was priced at €9.49 per share and the second issue was priced at €9.37 per share.

The third issue of shares to Directors was priced at €7.80 per share and the fourth issue was priced at €7.00 per share.

The Class B share is identical in all respects to the Company's other shares, except that it will entitle the holder of the Class B share (an affiliate of AXA S.A.) to elect a single Director to the Company's Board of Directors. At such time as the holdings of the AXA Group investors decline to less than 5% of the Company's equity capitalisation (with the Class B share and the other issued and outstanding ordinary shares taken together), the Class B share shall be converted to an ordinary share.

The Class C Shares are non-voting shares, but in all other respects have the same rights and entitlements as the ordinary shares.

18. SHARE PREMIUM ACCOUNT

	Ordinary €	B share €	C shares €	Warrants €
Issued on incorporation	20	—	—	—
Issued during the period	300,000,000	10	—	1,410,000
Issued to Directors during the period	87,923	—	—	—
Repurchased during the period	(20)	—	—	—
IPO direct costs and expenses	(14,998,836)	—	—	—
Transfer to distributable reserves	(285,001,164)	(10)	—	—
Balance at 31 July 2007	**87,923**	**—**	**—**	**1,410,000**
Issued to Directors during the period	90,067	—	—	—
Balance at 31 January 2008	**177,990**	**—**	**—**	**1,410,000**

The balance on the share premium account was transferred to distributable reserve on the 26 January 2007, following approval by the Guernsey Royal Court. This reserve is available as a source of funds for dividends.

Warrants:

	2008	2007
Number of warrants issued at IPO (1:1 exercisable for C shares)	**30,000,000**	30,000,000
Value of warrants at IPO	**€1,410,000**	€1,410,000
Exercise price	**€10**	€10
Exercise period – start date	**01/12/2008**	01/12/2008
Exercise period – end date	**31/12/2016**	31/12/2016
Closing price of ordinary shares at period end	**€5.60**	€7.75
Theoretical value per warrant if exercised at period end	**—**	—
Dilutive effect of warrants	**—**	—

The warrants were issued to the Investment Manager upon closing of the IPO. The warrants give the Investment Manager the right to acquire an amount of Class C shares equivalent to 10% of the number of shares in issue immediately following the closing, at an exercise price per share equal to the offer price of €10 per share.

The Warrants will become exercisable after 30 November 2008. They will cease to be exercisable after 31 December 2016.

19. RESERVES

	Accumulated loss €	Other distributable reserves €	Unrealised losses €
Loss for the period	(16,938,249)	—	—
Transfer from share premium account	—	285,001,174	-
Net unrealised fair value movement on available-for-sale securities	—	—	(9,435,539)
As at 31 July 2007	**(16,938,249)**	**285,001,174**	**(9,435,539)**
Loss for the period	(28,239,606)	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	(3,212,232)
Dividend paid	—	(12,007,280)	—
As at 31 January 2008	**(45,177,855)**	**272,993,894**	**(12,647,771)**

20. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and equity prices, affecting the Company's income and/or the value of its holdings in financial instruments.

The Company's exposure to market risk comes mainly from movements in the value of its investments. Changes in credit spreads may affect the Company's net equity or net income directly through their impact on unrealised gains or losses on investments within the portfolio, and therefore the Company's ability to make gains on such investments, or indirectly through their impact on the Company's ability to borrow and access capital (and its cost of capital).

Interest rate risk

To the extent the Company incurs indebtedness, as well as its exposure created by the TRS, changes in interest rates can affect the Company's net interest income, which is the difference between the interest income earned on interest-earning investments and the interest expense incurred on interest-bearing liabilities. Changes in the level of interest rates can also affect, among other things, the Company's ability to acquire loans and investments, the value of its investments and the Company's ability to realise gains from the settlement of such assets.

The Company may enter into hedging transactions for the purposes of efficient portfolio management, where appropriate, to protect its investment portfolio from interest rate fluctuations. These instruments may be used to hedge as much of the interest rate risk as the Investment Manager determines is in the best interests of the Company, given the cost of such hedges. The Company may bear a level of interest rate risk that could otherwise be hedged when the Investment Manager believes, based on all relevant facts, that bearing such risks is advisable.

Interest rate profile as at 31 January 2008

	Interest charging	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
Euro deposit accounts	Floating	Eonia – 25bp	18,413,852
USD deposit accounts	Floating	Libor USD Overnight – 25bp	2,700,907
GBP deposit accounts	Floating	SONIA Overnight – 40bp	5,129,856
			26,244,615
Available-for-sale securities:			
AFS (denominated in Euro)	Fixed	11.70%	24,389,473
AFS (denominated in USD)	Fixed	13.42%	34,853,969
AFS (denominated in GBP)	Fixed	12.67%	42,706,024
			101,949,466
Financial assets at fair value through profit or loss (EUR)	Floating	6 month Euribor + 12.77%	42,087,929
Collateral (EUR)	Floating	Eonia	71,250,000
Investment in TRS (EUR)	Fixed	9.67%	(32,670,300)
Trade and other receivables	Non-interest bearing	n/a	2,831,819
Derivative contracts	Non-interest bearing	n/a	7,501,390
			219,194,919
Financial liabilities			
Trade and other payables	Non-interest bearing	n/a	(2,438,661)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

Interest rate profile as at 31 July 2007

	Interest charging	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
Euro deposit accounts	Floating	Eonia – 25bp	29,025,313
USD deposit accounts	Floating	Libor USD Overnight – 25bp	803,604
GBP deposit accounts	Floating	SONIA Overnight – 40bp	1,840,423
			31,669,340
Available-for-sale securities:			
AFS (denominated in Euro)	Fixed	11.44%	27,017,910
AFS (denominated in USD)	Fixed	13.15%	41,151,964
AFS (denominated in GBP)	Fixed	12.51%	51,571,888
			119,741,762
Financial assets at fair value through profit or loss (EUR)	Floating	6 month Euribor + 12.77%	46,920,000
Collateral (EUR)	Floating	Eonia	71,250,000
Investment in TRS (EUR)	Fixed	9.67%	(10,176,780)
Trade and other receivables	Non-interest bearing	n/a	3,276,911
Derivative contracts	Non-interest bearing	n/a	523,110
			263,204,343
Financial liabilities			
Trade and other payables	Non-interest bearing	n/a	(3,079,034)
			(3,079,034)

Currency risk

The Company's accounts are denominated in Euro while investments are made and realised in both Euro and other currencies. Changes in rates of exchange may have an adverse effect on the value, price or income of the investments. A change in foreign currency exchange rates may adversely impact returns on the Company's non-euro-denominated investments. The Company's principal non-euro currency exposures are expected to be the US Dollar and pound Sterling but this may change over time.

The Company's policy is to hedge currency risk on an asset by asset basis and also, where the Investment Manager considers appropriate, on an overall portfolio basis. The Company may bear a level of currency risk that could otherwise be hedged where the Investment Manager considers that bearing such risks is advisable. The Investment Manager has put in place arrangements to hedge into Euro certain US Dollar and pound Sterling exposures associated with the US Dollar-denominated CDO residual interests and pound Sterling denominated residuals of asset-backed securities.

Currency risk profile as at 31 January 2008

	Denominated in Euro €	Denominated in USD €	Denominated in GBP €
Investments:			
Available-for-sale debt securities	24,389,473	29,761,144	42,706,024
Financial assets at fair value through profit or loss	42,087,929	-	-
Available-for-sale equity securities	-	5,092,825	-
	66,477,402	34,853,969	42,706,024
Cash and cash equivalents:	18,413,852	2,700,907	5,129,856
Investment in TRS	38,579,700	-	-
Trade and other receivables	1,398,089	625,897	807,833
Trade and other payables	(2,169,149)	—	(269,512)
Derivative contracts	123,035,867	(54,996,681)	(60,537,796)
	245,735,761	(16,815,908)	(12,163,595)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk profile as at 31 January 2008 (Continued)

The following foreign exchange forward contracts were unsettled as at 31 January 2008:

Amount bought €	Amount sold currency	Number of positions	Unrealised gain/(loss) €
58,157,711	USD 79,468,393	14	3,161,030
64,878,620	GBP 45,694,723	6	4,340,824
37,744	CHF 61,767	1	(504)
10,081	SEK 94,569	1	40
			7,501,390

Currency risk profile as at 31 July 2007

	Denominated in Euro €	Denominated in USD €	Denominated in GBP €
Investments			
Available-for-sale debt securities	27,017,910	39,400,862	51,571,888
Financial assets at fair value through profit or loss	46,920,000	—	—
Available-for-sale equity securities	—	1,751,102	—
	73,937,910	41,151,964	51,571,888
Cash and cash equivalents:	29,025,313	803,604	1,840,423
Investment in TRS	61,073,220	—	—
Trade and other receivables	1,682,347	1,004,504	590,060
Trade and other payables	(2,963,534)	—	(115,500)
Derivative contracts	112,819,767	(53,746,768)	(58,549,889)
	275,575,023	(10,786,696)	(4,663,018)

The following foreign exchange forward contracts were unsettled as at 31 July 2007:

Amount bought €	Amount sold currency	Number of positions	Unrealised gain/(loss) €
53,944,770	USD 73,401,961	12	885,702
56,261,009	GBP 39,509,465	6	(362,366)
66,864	CHF 110,457	1	(224)
4,121	SEK 38,025	1	(2)
			523,110

Credit risk (including counterparty risk)

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk with respect to its investments. The Company and its Investment Manager seeks to mitigate credit risk by actively monitoring the Company's portfolio of investments and the underlying credit quality of its holdings. The Company's multi-asset class investment strategy is founded on limiting credit risk by pursuing Primary Target Asset Classes that generate streams of cash flows from underlying payors having, in the aggregate, diverse characteristics and/or low default rates and/or high recovery rates and/or granularity.

The Company invests in total return swaps, credit default swaps and other derivatives with various financial institution counterparties for purposes of securing investment exposure to portfolios of diverse underlying reference obligations. The Company is exposed to counterparty credit risk in respect of these transactions and the Investment Manager employs various techniques to limit actual counterparty credit risk.

The Company may have more than 20% of its gross assets invested in the instruments of one or more special purpose vehicles. The Company's investment guidelines establish criteria for synthetic arrangements entered into by the Company and require specific Board approval for investments in excess of certain limits. Those criteria, and Board approval for synthetic arrangements, are intended to limit the investment risk of the Company. Shareholders should, however, be prepared to bear the risks of direct and indirect investment in special purpose structured finance vehicles and arrangements, which often involve reliance on techniques intended to achieve bankruptcy remoteness and protection through security arrangements that may not function as intended in unexpected scenarios.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk relating to derivatives

The Company's transactions using derivative instruments and any credit default or total return swap arrangements or other synthetic investments entered into by the Company or any of its funding vehicles may involve certain additional risks, including counterparty credit risk. Moreover, as referred to in the preceding paragraph, the Company has established criteria for synthetic arrangements that are intended to limit its investment risk. Certain derivative transactions into which the Company may enter may be sophisticated and innovative and as a consequence may involve tax or other risks that may be misjudged.

Concentration risk

The Company may be exposed at any given time to any one industry, region, country or any given services or asset manager (in addition to the Investment Manager) and may therefore be exposed to a degree of concentration risk. The Company mitigates this risk by monitoring the concentration of its portfolio from time to time and rebalancing its investment portfolio accordingly, although there can be no assurance that it will succeed. As noted above, the Company faces counterparty concentration risk from synthetic arrangements.

Reinvestment risk

Some of the Company's investments (e.g. ABS (including mortgage-backed securities) and leveraged loans) may be particularly sensitive to the interest rate environment, with a general decline in prevailing rates of interest tending to promote faster rates of repayment of fixed-rate obligations. Unexpected accelerations in the rate of repayments can cause the value of such investments to decline and may leave the Company with excess cash to reinvest in a low interest rate environment. One virtue of having a multi-asset class strategy is that the flexibility exists to reallocate among asset classes in such cases.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company may face liquidity risks. Most of the assets in which the Company intends to invest are relatively illiquid. Changes in market sentiment may make portions of the Company's investment portfolio rapidly less liquid, particularly with regard to types of assets for which there is not a broad well-established trading market. Portfolio issuers and borrowers may experience changes in circumstance that adversely affect their liquidity, leading to interruptions in cash flows. The Company can seek to manage liquidity needs by borrowing, but turns in market sentiment may make credit expensive or unavailable. Liquidity may also be addressed by selling the more liquid assets in the Company's portfolio, but selling those assets first may not, in some circumstances, be advantageous for the Company.

Maturity profile

The tables below show the maturity of the current borrowings under the facilities, rather than the maturity over the whole life of the facilities and the expected maturity of the securities, rather than the legal maturity date.

Maturity profile as at 31 January 2008

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	26,244,615	—	—
Available-for-sale securities	—	18,173,354	83,776,112
Financial assets at fair value through profit and loss	—	—	42,087,929
Investment in TRS	—	38,579,700	—
Derivative contracts	755,173	6,746,217	—
Trade and other receivables	2,831,819	—	—
	29,831,607	63,499,271	125,864,041
Financial liabilities			
Trade and other payables	2,438,661	—	—

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity profile (Continued)

Maturity profile as at 31 July 2007

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	31,669,340	—	—
Available-for-sale securities	—	—	119,741,762
Financial assets at fair value through profit and loss	—	—	46,920,000
Investment in TRS	—	61,073,220	—
Derivative contracts	72,525	450,585	—
Trade and other receivables	3,276,911	—	—
	35,018,776	61,523,805	166,661,762
Financial liabilities			
Trade and other payables	3,079,034	—	—

Risks relating to leveraged exposure

The Company's investment strategy involves a high degree of exposure to the risks of leverage. Investors in the shares must accept and be able to bear the risk of investment in a highly-leveraged investment portfolio. In some cases, the Company may be party to various loan, repurchase and other financing and investment agreements that contain representations, warranties and covenants of various kinds. The arrangements may also contain financial covenants that could, among other things, require the Company to maintain certain financial ratios. If the Company breaches covenants under financing or investment agreements, it could be forced to sell assets or experience other disadvantages.

Valuation risk

The markets for many of the Company's investments, including residual income positions, are illiquid. Accordingly, many of the Company's investments are or will be illiquid. In periods of market uncertainty or distress, the markets for the Company's investments may become increasingly illiquid or even cease to function effectively for a period of time. In addition, investments that the Company may purchase in privately negotiated (also called "over the counter" or "OTC") transactions may not be registered under relevant securities laws or otherwise may not be freely tradable, rendering them less liquid than other investments. Tax or other attributes of securities or loans in which the Company invests may make them attractive to only a limited range of investors. There may also be contractual or other restrictions on transfers of the Company's investments. As a result of these and other factors, the Company's ability to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may be limited and the Company may be forced to hold investments for an indefinite period of time or until the maturity or early redemption thereof.

Furthermore, where the Company acquires investments for which there is not a readily available market, the Company's ability to obtain reliable information about the resale value of such investment or risks to which such investment is exposed may be limited. Illiquidity contributes to uncertainty about the values ascribed to investments when net asset value determinations are made, which can cause those determinations to vary from amounts that could be realised if the Company were to seek to liquidate its investments.

Although the Company and its agents are able to refer to reported over-the-counter trading prices and bid/offer prices from brokers when valuing its more liquid investments, such as widely-held investment grade debt, for other investments (such as residual interests in CDOs and other asset-backed securities) the Company's pricing sources frequently need to rely on financial pricing models based on assumptions concerning a number of variables, some of which involve subjective judgements and may not be uniform.

21. CASH GENERATED FROM OPERATIONS

	31 January 2008	31 July 2007
	€	€
Loss for the period	**(28,239,607)**	(16,938,249)
Adjustments for:		
Effective interest income	**(13,239,539)**	(10,866,772)
Unrealised loss on TRS	**22,493,520**	10,176,780
Unrealised gain on forward foreign exchange contracts	**(6,978,280)**	(523,110)
Unrealised loss on financial assets at fair value through profit or loss	**4,363,705**	21,800,142
Coupons received	**19,638,729**	13,108,468
Unrealised foreign exchange loss/(gain) of available-for-sale securities	**11,199,014**	(841,919)
Provision for impairments on available-for-sale debt securities	**10,541,439**	-
Decrease/(increase) in trade and other receivables	**591,259**	(1,020,237)
(Decrease)/increase in trade and other payables	**(628,373)**	3,040,034
Directors' fees paid in the form of shares	**80,464**	126,923
CASH GENERATED FROM OPERATIONS	**19,822,331**	18,062,060

22. RELATED PARTY DISCLOSURE

Transactions with Directors and the Investment Manager

For disclosure of Directors' remuneration, please see Note 6 and the Directors' Remuneration Report. As at the period end, Directors' fees to be paid in cash of €63,000 (2007: €81,000) had been accrued but not paid. Directors' fees to be paid in shares of €27,000 (2007: €39,000) had been accrued but not paid and Directors' expenses of €Nil (2007: €2,000) had been accrued but not paid.

As at 31 January 2008, the Directors of the Company controlled 0.072% (2007: 0.03%) of the voting shares of the Company. A number of the key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of any transactions with key management personnel and their related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Under the Investment Management Agreement the Investment Manager is entitled to receive a management fee from the Company at a rate of 1.5% per annum of the portion of the Company's Net Asset Value that is less than €200,000,000, and 1.75% per annum on the portion of the Net Asset Value that is greater or equal to €200,000,000, calculated for each six month period ending on 31 July and 31 January each year on the basis of the Company's Net Asset Value at the end of the preceding period and payable semi-annually in arrears. For the period to 31 July 2007, the relevant Net Asset Value was taken as the IPO proceeds.

During the period the management fees accrued were €1,631,315 (€2,503,966). The total fees accrued were outstanding as at 31 January 2008 (31 July 2007).

Under the terms of the Investment Management Agreement, the Investment Manager is also entitled to an incentive fee, which is payable in arrears in respect of each semi-annual period ending 31 July and 31 January. The incentive fee is dependent on the Company's performance. During the period there were no incentive fees accrued.

23. COMMITMENTS

The Company has entered into a Subscription Agreement with Tennenbaum Opportunities Fund V ("Tennenbaum"). Under the Subscription Agreement the Company has agreed to purchase US$15m of the LP interest prior to 31 August 2009 (the "Subscription Period") and has agreed to make capital contributions as specified by Tennenbaum from time to time on multiple drawdown dates. As at 31 January 2008, the Company had made capital contributions of US$9,000,000 and therefore there was a commitment at that date to make further capital contributions of US$6,000,000 before 31 August 2009.

24. POST BALANCE SHEET EVENTS

Subsequent to the period end, the Company has purchased the following assets: Tennenbaum Opportunities Fund V: (€1,500,000 capital contribution)—(1 February 2008)

Since 31 January 2008, corporate credit markets have been shaken by strong negative outflows. Market value structures investing in the loan markets (e.g. loan total return swaps, credit opportunity funds, etc) and in the investment grade corporate credit market ("CPPI" and "CPDOs") were forced to deleverage, pushing spreads to levels that cannot be adequately explained solely by credit fundamentals. In particular, loan prices have been drawn to historically low levels,and investment grade corporate spreads have widened greatly.

In addition, ongoing rating methodology reviews by rating agencies and the expectations of rating downgrades that could arise with these reviews have further reduced the number of potential buyers for structured credit assets by shedding doubt on ratings based on current methodologies. This situation seems to be contributing to the substantial price decline of certain assets such as cash flow CDOs. Also, uncertainty about the rating and the future of monolines and SIVs (structured investment vehicles) has continued to weigh on the most senior pieces of the structured credit markets, and primary issuances of leveraged structures have drastically diminished.

Since 31 January 2008, the overall GAV of Volta decreased by €0.79 per share to €6.50 per share as at 29 February 2008. The February mark-to-market variations of Volta's asset classes were: -32.6% for the TRS, -16.4% for the ABS, -4.2% for CDO's and -1.1% for Corporate Credit.

As of the end of March 2008, the principal amount of the loan portfolio underlying the TRS was reduced to approximately €30 million. The sales of loans held in the reference portfolio of the TRS have generated in total €50 million in realised losses at this time. The latest mark-to-market value of the TRS, including realised losses from disposals of underlying loan positions, was €18 million as of 25 March 2008. The Investment Manager believes that the market will remain volatile for several months to come and could execute further sales of loans. Overall, the restructuring of certain terms of the TRS and gradual process of its deleveraging were designed to avoid disorderly forced sales and mitigate as much as possible the adverse impact of deleveraging on the value of this investment, thus preserving the ability of the Company to generate future cash flows through reinvestment.

With respect to the Company's exposure to ABS residual positions, additional information received by the Investment Manager after the end of January appears to show that refinancing of underlying mortgages at, or just after, reset could be higher than that anticipated in the Company's end of January scenario. Given that the indications of such borrower behaviour come from a limited number of pools monitored by the Investment Manager, and given that the capacity and willingness of lenders to extend mortgage lending is uncertain in the current circumstances, one should be cautious when trying to extrapolate any kind of pattern for the coming months. Nevertheless, if high prepayments continue to materialise, such a trend, would have a worse impact on expected cash flows from the ABS positions, especially on 2006 pools, than what was anticipated in the Investment Manager's January monthly report.

DISTRIBUTION INCOME CALCULATION

FOR THE PERIOD ENDED 31 JANUARY 2008

Distribution Income is a non-IFRS financial measure that has been devised to express the Company's intentions with respect to the distribution of dividends. Other companies may define Distribution Income or similar terms differently.

The calculation of Distribution Income for the period is set out below. The full definition of Distribution Income, as stated in the Company's Prospectus, together with certain related information, is reproduced below for ease of reference.

Calculation

	31 January 2008 **€**	31 July 2007 €
Net IFRS loss per the Income Statement	**(28,239,607)**	(16,938,249)
Add: impairment losses on available-for-sale securities per the Income Statement	**10,541,439**	—
Less: impairment losses on available-for-sale securities for the purpose of determining the Distribution Income	**(8,783,703)**	—
Add: Mark-To-Market losses on the TRS per the Income Statement	**22,493,520**	10,176,780
Less: impairment losses on the TRS for the purpose of determining the Distribution Income	**(40,493,115)**	—
Less: Net income from the TRS per the Income Statement	**(1,186,058)**	(3,003,812)
Add: Effective income on the TRS for the purpose of determining the Distribution Income	**3,433,444**	3,426,291
Add: Net unrealised loss on financial assets at fair value through profit or loss per the Income Statement	**4,363,705**	21,800,142
Add/(Less): foreign exchange gains/(losses), net of hedging gains/(losses), for the purpose of determining the Distribution Income	**4,910,442**	(1,376,028)
Distribution Income	**(32,959,934)**	14,085,124

Objectives

The net income of the Company established under IFRS, amongst other items, takes into account gains and losses arising on the disposal of investments, gains and losses arising on the revaluation of investments classified as being held at fair value through the Income Statement (including derivative financial instruments) and losses due to the impairment of investments. It also includes foreign exchange gains and losses in respect of these items. The Company obtains its exposure to certain classes of investments through the use of derivative financial instruments. In accordance with IFRS, changes in the fair value of such instruments are included in the Company's Income Statement.

Given the nature of the Company's investments and its investment objectives, the Board has concluded that, in determining the amount of distributable income in respect of these items, it should take into account: (i) changes in the fair value of derivative positions that it determines should be characterised as interest; (ii) both (a) losses arising on the disposal of investments and (b) unrealised losses and impairment losses, but only to the extent that such losses are in the Board's view representative of a decrease in the cash flows expected to be received from the investment and not for example attributable to increases in market interest rates; and (iii) for assets where the cash flows are hedged, any portion of gain or loss (realised or unrealised) on the related hedging instrument insofar as such gain or loss relates to interest income or any impairment loss on the asset.

Definition

Distribution Income will be, for any relevant calculation period, based on the net income reported in the Company's Income Statement prepared in accordance with IFRS but will exclude:

- any impairment losses (whether on assets held by the Company or its subsidiaries or included in changes in the fair value of related derivative financial instruments) in excess of the impairment losses which would have been recorded had the carrying value of the assets in question been calculated to equal the present value of the expected cash flows using a discount rate equal to the original effective interest rate on the relevant asset (i.e. on an amortised cost basis);
- realised and unrealised gains other than (i) gains that are determined to represent interest income on underlying investments that the Company holds through derivative financial instruments or equivalent to interest income on the derivative financial instruments themselves, and (ii) such other gains as the Board may from time to time, in its discretion decide to distribute to shareholders, provided that, if the Board decides to include any unrealised gain with respect to any asset in Distribution Income for any Incentive Period, (x) the Incentive Fee otherwise payable to the Investment Manager in that Incentive Period with respect to the contribution of such unrealised gain to the Distribution Income shall be placed by the Company into a segregated trust account established for that purpose and (y) to the extent that any portion of such unrealised gain is realised for any subsequent Incentive Period, (1) such portion of the gain so realised shall be excluded from Distribution Income for that

Definition (continued)

subsequent Incentive Period, but (2) the deferred Incentive Fee relating to such portion of the gain so realised shall be released to the Investment Manager (even in the event that an Incentive Fee is not otherwise payable in respect of that subsequent Incentive Period);

- except as described in the foregoing point, gains and losses attributable to the revaluation of investments held at fair value through the Income Statement, including derivatives (other than impairment losses, the treatment of which is discussed above);
- income attributable to impaired assets in excess of the income which would have been recognised on those assets calculated on an amortised cost basis; and
- foreign exchange gains and losses attributable to movements in the fair value of the "clean'' price (without accrued but unpaid interest) of investments on which the cash flows are hedged, foreign exchange and other hedging gains and losses other than those stated under (iii) "Objectives'' above or other transactions achieving the same purpose.

Distribution Income will include income classified as interest income in any event.

Distribution Income will be determined prior to any allowance being made for Incentive Fees (that is, Distribution Income will be an amount from which Incentive Fees are deducted in establishing the aggregate amount of a dividend).

The Investment Manager will advise the Board from time to time concerning whether realised gains or other gains should, in the Investment Manager's view, be included in Distribution Income.

Reporting

In addition to the disclosures required by IFRS, the Company will disclose in its semi-annual and annual financial statements a calculation of Distribution Income, including (a) an analysis of the net gains or losses on derivative financial instruments distinguishing between (i) interest, (ii) any losses attributable to the impairment of reference assets and (iii) other gains and losses, (b) an analysis of any impairment losses calculated on a fair value basis and on an amortised cost basis and (c) an analysis of income from impaired assets in excess of the amount which would be calculated on an amortised cost basis.

Impairment

In assessing impairment for the purposes of determining Distribution Income, the Company will review or cause the Investment Manager to review on a semi-annual basis a set of assumptions (e.g. default rates, prepayment rates, recovery rates) for each asset, which assumptions (the "Projected Cash Flow Assumptions'') are used to determine the expected cash flows from such asset and compare those assumptions with the assumptions that were used to determine the effective interest rate of the asset at the time of purchase. (For the avoidance of doubt, the discount rate will be the effective yield at the time of purchase of any asset.) These assumptions will be, or will have been, generated by the Investment Manager.

The Company will use reasonable endeavours to obtain on a semi-annual basis a confirmation from an independent third party that the Projected Cash Flow Assumptions for each asset are reasonable. The Investment Manager has agreed in the Investment Management Agreement that, where the independent third party has a view that differs from that of the Investment Manager, the Investment Manager will consult with that party to determine the source of the disagreement, and will then determine whether such differences can be resolved and report its findings to the Company. When and where required, the Company has received confirmation from an independent third party that, as of 31 January 2008, the Projected Cash Flow Assumptions for each asset are reasonable. Where the Company is not able to attain such third party confirmation, it will disclose that fact in its next semi-annual report.