VOLTA FINANCE LIMITED

ANNUAL REPORT AND ACCOUNTS 2010

VOLTA FINANCE LIMITED IS A CLOSED-ENDED LIMITED LIABILITY INVESTMENT COMPANY THAT PURSUES A MULTI-ASSET CLASS INVESTMENT STRATEGY

FORWARD-LOOKING STATEMENTS

This annual report includes statements that are, or may be considered, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “plans”, “expects”, “targets”, “aims”, “intends”, “may”, “will”, “can”, “can achieve”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report, including in the Chairman’s Statement. They include statements regarding the intentions, beliefs or expectations of the Company or the Investment Manager concerning, among other things, the investment objectives and investment policies, financing strategies, investment performance, results of operation, financial condition, liquidity prospects, dividend policy and targeted dividend levels of the Company, the development of its financing strategies, and the development of the markets in which it, directly and through special purpose vehicles, will invest in and issue securities and other instruments. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual investment performance, results of operations, financial condition, liquidity, dividend policy and dividend payments and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity, dividend policy and dividend payments of the Company and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause differences include, but are not limited to, changes in economic conditions generally and in the structured finance and credit markets particularly; fluctuations in interest and currency exchange rates, as well as the degree of success of the Company’s hedging strategies in relation to such changes and fluctuations; changes in the liquidity or volatility of the markets for the Company’s investments; declines in the value or quality of the collateral supporting many of the Company’s investments; legislative and regulatory changes and judicial interpretations; changes in taxation; the Company’s continued ability to invest its cash in suitable investments on a timely basis; the availability and cost of capital for future investments; the availability of suitable financing; the continued provision of services by the Investment Manager and the Investment Manager’s ability to attract and retain suitably qualified personnel; and competition within the markets relevant to the Company.

These forward-looking statements speak only as at the date of this annual report. Subject to its legal and regulatory obligations (including under the rules of Euronext Amsterdam), the Company expressly disclaims any obligations to update or revise any forward-looking statement (whether attributed to it or any other person) contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

The Company qualifies all such forward-looking statements by these cautionary statements.

KEY POINTS 2010

- NET ASSET VALUE ("NAV") OF €98.6 MILLION (€3.25 PER SHARE) AT 31 JULY 2010, AN INCREASE OF 68.8% FROM €58.4 MILLION AT 31 JULY 2009
- A PROPOSED DIVIDEND OF €0.16 PER SHARE FOR THE SECOND HALF YEAR PERIOD FROM 1 FEBRUARY 2010 TO 31 JULY 2010 IN ADDITION TO A €0.13 DIVIDEND PAID FOR THE FIRST HALF OF THE YEAR
- DISTRIBUTION INCOME OF THE COMPANY FOR THE YEAR WAS €51.9 MILLION, OR €1.71 PER SHARE
- NET PROFIT OF THE COMPANY FOR THE YEAR WAS €39.8 MILLION, OR €1.31 PROFIT PER SHARE, TAKING INTO ACCOUNT THE RECOGNITION OF NET IMPAIRMENTS REVERSAL ON 14 CLOs[1], THE FURTHER DECLINE IN VALUE OF THE SIX UK NON-CONFORMING ABS[2], THE MARK-TO-MARKET GAINS OF ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS AND THE MARK-TO-MARKET LOSSES OF DERIVATIVE FINANCIAL INSTRUMENTS
- THE INVESTMENTS HELD BY THE COMPANY GENERATED €16.3 MILLION OF INTEREST OR COUPONS DURING THE FINANCIAL YEAR
- OVER THE FINANCIAL YEAR, THE INVESTMENT STRATEGY HAS MAINLY BEEN TO INVEST CASH IN CDOs[3] FOLLOWING THE STABILISATION OF MARKET CONDITIONS. AS A CONSEQUENCE, THE CASH HOLDINGS WERE €5.6 MILLION AT THE YEAR END AGAINST €27.7 MILLION AT THE BEGINNING OF THE YEAR
- DURING THE FINANCIAL YEAR, THE COMPANY PURCHASED ASSETS FOR €40.5 MILLION AND SOLD ASSETS FOR €11.1 MILLION SIGNIFICANTLY INCREASING ITS ASSET BASE
- AS OF 31 JULY 2010, THE COMPANY HELD INVESTMENTS IN THREE UNDERLYING ASSET CLASSES (CDOS, CORPORATE CREDITS[4] AND ABS)
- THE COMPANY INTENDS TO CONTINUE SEIZING INVESTMENT OPPORTUNITIES IN ORDER TO KEEP PAYING A DIVIDEND IN LINE WITH THE ANNUAL 10% OBJECTIVE DESCRIBED IN THE CHAIRMAN'S STATEMENT WHILST AT THE SAME TIME INCREASING ITS ASSET BASE
- OPERATING EXPENSES AS A PERCENTAGE OF AVERAGE NAV FOR THE FINANCIAL YEAR ENDED 31 JULY 2010 WERE 2.17% COMPARED TO 4.53% AT 31 JULY 2009

Definitions:
[1] Collateralised Loan Obligations ("CLOs")
[2] Asset-Backed Securities ("ABS")
[3] Collateralised Debt Obligations ("CDOs")
[4] Collateralised Synthetic Obligations ("CSOs" or "Corporate Credits")

Contents

CORPORATE SUMMARY
FOR THE YEAR ENDED 31 JULY 2010

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) Law, 2008.

The Company is an authorised closed-ended collective investment scheme.

INVESTMENT OBJECTIVE

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. Subject to the risk factors that were described in the Company's Initial Public Offering Prospectus ("IPO") and the risk factors that are described in Note 22, it seeks to attain its investment objectives by pursuing a multi-asset class investment strategy. The investment strategy focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. Whilst the Company's investment objectives remain unchanged, as stated in the Chairman's Statement and the Investment Manager's Report, considering the discount to par at which most of these assets could be purchased, part of the expected return for most of the recent and future investments may come from backloaded cash flows corresponding to principal payments in addition to expected ongoing cash flows. The assets that the Company may invest in either directly or indirectly include, but are not limited to: 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 exposure to portfolios of Primary Underlying Assets. In this regard, the Company instructed AXA Investment Managers Paris (the "Investment Manager" or "AXA IM") to pursue the Company's investment strategy for the annual period covered by this report by concentrating on three asset classes among the "Primary Target Asset Classes": Corporate Credits; Collateralised Debt Obligations ("CDOs"); and Asset-Backed Securities ("ABS"). As at the financial year end, the Company held assets in its portfolio divided amongst those three Primary Target Asset Classes: Corporate Credits; CDOs (almost uniquely exposed to leveraged loans); and ABS.

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.

Pierre-Emmanuel Julliard, the former head of AXA Structured Finance (the department which includes the team that manages Volta's portfolio) has left AXA IM Paris and has been replaced by Laurent Gueunier on 15 October 2010. Laurent was previously the head of the Structured Corporate Credit team within AXA Structured Finance.

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 faster depending on the Company's Board decision. The Investment Manager informed the Board in June 2009 that it has agreed to amend the Investment Management Agreement to reflect its decision to abandon its rights to compensation for termination of its mandate whatever the reason for termination.

ASSET VALUES

At 31 July 2010, the Company's NAV was €98.6 million with the NAV per share amounting to €3.25. 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 the amount of the Company's liabilities. The Company's NAV at 31 July 2010 can be seen in the Statement of Financial Position on page 34 (Total shareholders' equity line).

GAV is an expression of the Company's value, which only takes into account the fair value of the Company's assets. 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.

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 July 2010 was €2.40 per share.

The average closing price of the Company's listed shares quoted on Euronext Amsterdam over the year ended 31 July 2010 was €1.69 per share.

PROVISIONAL FINANCIAL CALENDAR

29 October 2010	Announcement of results for the year ended 31 July 2010 and publication of the 2010 annual report
13 December 2010	Annual General Meeting
15 December 2010	Ex-dividend date
17 December 2010	Record date
12 January 2011	Dividend payment date

CHAIRMAN'S STATEMENT

During the financial year ended 31 July 2010, Volta Finance Limited demonstrated its ability to create value for its shareholders from a somewhat stressed situation following the worst financial and economic crisis seen since the1930s. The decision to refrain from investing at the height of the crisis and to resume investing from Spring 2009 significantly contributed to the success of this annual period.

The value of the Company's assets increased strongly. Over the period, the NAV went from €58.4 million as at 31 July 2009 to €98.6 million as at 31 July 2010 reflecting the encouraging environment in which Volta operates: a situation where experienced investors in structured finance assets are able to purchase assets with very significant discounts.

During the annual period the Company confirmed, through its reinvestment programme, its investment strategy of focusing its investments predominantly on assets that are principally exposed to Corporate Credit risk rather than residential or commercial real estate. Most investments took place in the CLO area.

This annual period was marked by a stabilisation of the actual cash flows received from Volta's assets. €16.3 million of interest and coupons were collected from Volta's assets over the annual period.

The Company did not book any meaningful impairments on its assets (there were very minimal impairments on the UK non-conforming residual positions) for the annual period following a review of the expected cash flows conducted as at the end of July 2010. Arising from the revaluation of previously impaired assets (mostly residual tranches of CLOs) and of derivative positions there was a profit of €39.8 million (or €1.31 per share) for the annual period ended 31 July 2010, compared to a loss of €97.7 million for the previous annual period ended 31 July 2009.

During the annual period, the Company's investment strategy has been to take advantage of market opportunities to invest most of the cash that was available as well as executing some asset switches in order to increase or stabilise Volta's expected asset cash flows. Over the period, the equivalent of €36.0 million has been invested (excluding short-term ABS assets) and assets have been sold for €9.2 million.

€5.6 million was held in cash at the end of the annual period compared with €27.7 million at the end of July 2009.

During the annual period Volta's Board of Directors continued to examine opportunities that could reduce the difference between the Company's market share price and its GAV per share. For example, the Board does not believe that a share buyback programme is an appropriate measure in order to close this gap since the listing rules only give a very narrow framework for these programmes that include limits in volume and price. The Board believes that the best way to strengthen the relationship between the GAV and the share price is through the pursuit of a high level of transparency. The Board has decided to continue offering a high level of information on the Company's assets and investment strategy. Over the annual period the Company had regular contacts with equity analysts in order to improve the coverage of the Company by the financial community and the Board remains, as usual, available to address shareholders' questions via conference calls such as the one to be held after the release of this report.

DIVIDEND

The Board of Directors of Volta Finance Limited have decided to propose a dividend of €0.16 per share which amounts to €4.8 million for the semi-annual period ended 31 July 2010. The Board of Directors is proposing to offer the possibility to Volta shareholders to vote at the forthcoming Annual General Meeting ("AGM") on the subject of receiving the payment in cash or in Volta shares. This is in addition to the €0.13 per share (€3.9 million) interim dividend paid in April 2010. These payments are based on the Company's current general objective to pay, to the extent possible and reasonable, a dividend of approximately 10% per annum of the Company's net assets excluding cash at the end of the relevant period. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by The Companies (Guernsey) Law, 2008.

OUTLOOK

At the time of writing, taking account of the proposed dividend payment, the Company is almost fully invested. Considering the current economic and financial situation, the Company will focus on reinvesting ongoing cash flows when they are received, whilst managing its cash or near-cash position for dividend payment purposes as well as to honour other financial commitments.

In accordance with the Investment Manager's advice, the Company intends to favour assets that are expected to have ongoing stable cash flows at the time of purchase. Whilst the Company's investment objectives remain unchanged, Volta may consider investments for which back-loaded capital payments are expected to form a significant portion of the anticipated total return.

Depending on the ability to execute trades at reasonable prices in a still relatively illiquid market, some trades should consist of switching positions into transactions which, at the time of the switch, the Investment Manager anticipates a better trade off relative to expected cash flows.

The Company is fully committed to continue managing the situation in the best interests of its shareholders in these better, but still challenging market and economic conditions. In the next annual period, the Company hopes to both continue increasing the size of its asset base and build a portfolio that could provide high returns by seizing some opportunities through new investments or asset switches.

Finally, I would like to record my thanks to Peter Crook my predecessor as Chairman who, together with the other Directors, helped steer the Company forward during an unprecedented period of financial and economic turmoil.

JAMES GILLIGAN
CHAIRMAN
18 OCTOBER 2010

INVESTMENT MANAGER'S REPORT

1. OVERVIEW

During the financial year ended 31 July 2010, Volta Finance Limited confirmed that it had emerged from the financial and economic crisis with the ability to conduct an investment strategy that creates value for its shareholders:

GENERATION OF CASH FLOWS

- **Volta's assets generated €16.3 million of interest or coupons over the annual period**
  Even at the height of the crisis in the spring of 2009, Volta continued generating significant cash flows from its assets despite very low valuations. During the annual period under review, interest and coupons have been received at an annualised yield close to 18% of the value of Volta's assets. This is still the reality at the end of the annual period under review, despite the fact that approximately 50% of Volta's GAV is made up of assets bought at a significant discount to par for which back loaded capital payments are expected to account for a significant portion of the anticipated rate of return.

DIVIDEND PAYMENTS

- **Volta paid a dividend of €0.13 per share (€3.9 million) in April 2010. €0.16 (€4.8 million) per share is expected to be paid in December 2010 to complete the dividend payments for the annual period under review**
  During the annual period, the amount of actual coupons and interest payments received by Volta was almost twice the annual dividend payments, demonstrating Volta's ability to pursue an investment strategy that facilitates the payment of a dividend in line with the dividend policy reiterated in the Chairman's Statement along with an increase in the total asset base of the Company.

INVESTMENTS

- **Volta purchased the equivalent of €36.0 million in investments (€75.4 million of nominal) and sold €9.2 million of assets (excluding short-term ABS assets purchased to improve the Company's cash management)**
  During the annual period, the total nominal amount of Volta's assets increased from €107 million to €184 million. All investments concerned assets for which, under a reasonable default scenario run at the time of purchase, full principal payment was expected by maturity. This assumption is still valid at the time of writing this report as the Company was not subject to any impairments on its CLO assets and made further minimal impairments on its ABS assets during the annual period. Even during the second half of the annual period, a period during which the cash of the Company was almost stable, the Company increased the total principal amount by close to €13 million. Considering current opportunities in the market such trend in the ability of Volta to increase the principal amount of its assets could be expected to be maintained in the near future.

THE NAV OF THE COMPANY

- **During the annual period, Volta's NAV went from €58.4 million or €1.93 per share at the end of July 2009 to €98.6 million or €3.25 per share at the end of July 2010**
  This increase in NAV reflects actual improvements on current payments and on expected cash flows from Volta's assets and the ability of the Investment Manager to seize investment opportunities. These improvements are linked with the success of financial authorities and governments worldwide in addressing the financial and economic crises: economies stabilised and actual default rates decreased and were significantly below what was reflected in the beginning of period valuations.

  Except for three assets (Promise Mobility, Tennenbaum and Confluent SLO) Volta's NAV is based on prices received from banks or brokers. According to various default scenarios (detailed in section 5 thereafter) linked to the ratings of the underlying portfolios, it can be considered that Volta's end of period NAV still reflected significantly stressed scenarios in terms of default and a high discount rate on the cash flows resulting from these scenarios.

NEAR TERM EXPECTATIONS

At the end of the annual period, twelve-month rolling default rates in most of the credit sectors were continuing to decline and are expected, by rating agencies and most market participants, to continue to do so for the coming months. It should be positive for Volta's assets both in terms of ongoing cash flows and in terms of valuation.

Given the current economic and financial situation the Board instructed the Investment Manager to focus its attention on two main objectives for the coming year:

- to sell and reinvest a portion of the portfolio in order to improve the cash flows that are expected from the Company's portfolio: the effectiveness of this investment approach will depend on the liquidity in the market, but some assets could be sold for assets of an almost similar nature, from which cash flows are expected to be higher or less uncertain; and

- to re-invest the ongoing cash flows generated by the portfolio in line with the investment strategy that has been conducted over the annual period under review, keeping in mind the need to finance future dividend payments.

An indication of important events that have occurred since the end of the financial year is provided in Note 25 of the Notes to the Financial Statements.

GENERAL OUTLOOK

When conducting the investment strategy during the annual period under review, the Company was pursuing the following:

- increase the diversification of its portfolio (from 34 assets at the beginning of the annual period to 57 assets at the end of the period) notwithstanding the investments were mainly in CLO tranches;
- increase the nominal amount of Volta's assets;
- increase the ability of the portfolio to better resist economic or financial stress (most of the investments concerned mezzanine tranches of CLOs that are second, third or even higher ranked loss tranches);
- increase the level and the stability of ongoing interest and coupons received by the Company (€16.3 million of interest and coupon payments received during the annual period); and
- maintain a level of expected return in line with the Company's objectives (the assets purchased during the financial year offered an average expected Internal Rate of Return ("IRR"), at purchase, of 17.76 %).

At the time of writing this report, it appears, on average, that discount margins of structured finance assets have decreased during the last few quarters but investment opportunities should continue to be sourced at a regular pace in order to enable the Company to pursue the goals listed above. Indeed, most structured finance assets still suffer from a lack of appetite from most institutional investors and continue to be valued and traded with significant discounts.

An investment company like Volta, that relies on experienced investment teams and that has few constraints in terms of ratings and almost no liabilities, can exploit such a situation.

A description of the principal risks and uncertainties that the Company faces is provided in Note 22 of the Notes to the Financial Statements.

2. INVESTMENTS

Volta seeks to attain its investment objectives by pursuing a multi-asset class investment strategy that has focused on three asset classes during the annual period: Corporate Credit, CDO and short-term senior ABS.

Whilst Volta had initially focused on investments at the residual level, the high level of discount margins during the annual period on mezzanine tranches of structured finance assets has enabled the Company to purchase assets benefiting from more subordination. In line with this development, the Company purchased 26 different assets for a total of the equivalent of €36.0 million over the course of the annual period ended 31 July 2010 (excluding short-term ABS assets purchased to enhance cash management):

- €26.4 million was used to purchase 21 tranches of CLO (13 in US dollar, eight in euro) initially rated between BB and AA (seven BB, seven BBB, two A, four AA and one combo note made up of a AA and BB tranches);
- €7.9 million was used to purchase four tranches of Corporate Credit portfolio initially rated AAA and A (three AAA tranches from Jazz III, Dryden XVII and Valleriite; one A tranche from Jazz III). One of the AAA tranches has been sold with a gain of €0.3 million during the annual period; and
- €1.7 million was used to purchase a low leverage residual position (Confluent).

It should be noted that the Company has continued to invest in US dollar assets, especially through mezzanine debt tranches of CLOs in order to benefit from the greater ability of US dollar CLOs as compared to those in euros to improve their situation by benefiting from a more liquid underlying loan market.

In addition, €6.7 million was used to settle purchases of short-term European ABS in order to enhance the cash management of the Company. Taking into account some principal payments made during the period, the end of period value of those investments was €3 million.

During the annual period, Volta sold €9.6 million of assets (one tranche of Corporate Credit portfolio, two residual tranches of CLOs and three mezzanine debt of CLOs). The rationale behind these sales was to improve Volta's capability to generate cash flows or to diminish the risk that adverse scenarios could affect Volta's expected cash flows negatively. As an illustration, the table overleaf gives the expected performance above Libor, under three scenarios of defaults (default in line with the weighted average rating factor ("WARF"), with 1.5 times the WARF and with two times the WARF of the underlying portfolios), of the two main sales during the period and of the three main purchases that just followed these sales.

INVESTMENT MANAGER'S REPORT CONTINUED

2. INVESTMENTS CONTINUED

TABLE 1 – EXAMPLES OF TRADES EXECUTED OVER THE ANNUAL PERIOD

			Expected return/Libor at trade price		
		Nominal	1xWARF	1.5xWARF	2xWARF
Sell Kingsland IV	USD	6,000,000	21.0%	16.7%	(69.0%)
Sell Ocean Trail 2006–1	USD	8,000,000	3.7%	(1.9%)	(100.0%)
Buy ORYX 1X–D	USD	3,500,000	15.4%	15.5%	15.4%
Buy Centurion 10–E	USD	3,500,000	12.5%	16.9%	23.3%
Buy Limerock CLO 1A–D	USD	5,000,000	14.4%	14.2%	13.1%

The two assets sold above were providing projected returns above Libor at the time and at the price of the trade that deteriorated strongly when increasing the projected pace of default. It was not the case of the purchased assets (up to the level of stress illustrated above). These kind of trades reinforce the ability of Volta to resist further economic and financial downturn without lowering Volta's ability to generate a decent performance under a normal scenario (default in line with the WARF, meaning that rating agencies correctly anticipate defaults on average).

In addition to re-investments made during the annual period, important variations in the relative performance of asset classes have also changed the Company's asset allocation since 31 July 2009.

TABLE 2 – VOLTA FINANCE ASSET ALLOCATION BASED ON MARK-TO-MARKET PRICES (BASED ON GAV)*

Asset classes		At 31 July 2010 %	At 31 July 2009 %
Corporate Credit	First loss tranches	**9.9**	14.7
	Mezzanine tranches	**8.2**	—
CDO	Residual tranches of CLO	**30.4**	15.5
	Mezzanine tranches of CLO	**38.5**	10.2
ABS		**8.7**	12.9
Cash		**5.6**	46.7

* NAV of €58.4 million as at 31 July 2009 and NAV of €98.6 million as at the end of July 2010. The valuation of each asset class takes into account the valuation of the individual assets and of the derivatives hedging the asset class. Figures do not add up to 100% due to rounding.

One of the benefits of the investment programme conducted during the latest period has been to improve the diversification of the Company's portfolio even if most of the deals were in the CLO area. At the end of the annual period, the portfolio consisted of 57 assets compared to 34 assets at the beginning of the period.

Overall, the investment strategy aims to invest in assets able to deliver an adequate return (on average, assets purchased during the annual period were expected to deliver a 17.76% return under a base case scenario) even if some stress arose in credit markets. If default rates were twice rating agencies' expectations (everything else being equal) then the return coming from the vast majority of Volta's purchases during this annual period would not be materially different than the one expected at purchase.

3. INVESTMENT PORTFOLIO

As at 31 July 2010, Volta held assets divided amongst three asset classes: CDOs (all of which are exposed to leveraged loans); Corporate Credit; and ABS.

It should be noted that the vast majority of the portfolio's assets, excluding cash and senior short-term ABS purchased to enhance the cash management, had exposure to underlying portfolios comprising corporate risk positions (CDS on corporates or corporate loans).

CDOS

All the positions in this asset class are residual or mezzanine debt tranches of CLOs.

RESIDUAL TRANCHES OF CLOS

As at 31 July 2010 the Company held twelve residual tranches of loans portfolio:

- ten classic residual tranches of CLOs (residual tranches represent between 8% and 12% of the capital structure of the deal and give access with an eight to twelve times leverage to the excess cash flows of the structure);
- one position in a Loan Fund specialised in special situations (Tennenbaum Opportunity funds); and
- one position in a low leverage CLO structure (leverage is around 2.2): Confluent SLO, bought during the annual period.

The last two positions, Tennenbaum and Confluent, are regularly making their payments and are low leverage vehicles. Tennenbaum represents a reasonable portion of the mark-to-market value of the CDO residual holdings (34% of the bucket at the end of the annual period against 80% at the beginning). The investment manager of Tennenbaum succeeded in reducing the leverage of the fund at the height of the crisis and has managed the portfolio so as to take advantage of the various investment opportunities that were allowed by the very nature of the fund. For example, this fund has the possibility to invest in Debtor-In-Possession or Bankruptcy Exit loans, or even to take equity ownership when loans default.

RESILIENCE OF PAYMENTS FROM HIGHLY LEVERAGED CLO TRANCHES

During the annual period, the ten classic residual positions generated €7 million of interest payments (from a valuation at €9 million at the end of July 2009 reflecting uncertainties and lack of appetite for this kind of assets from market participants at this time) despite the fact that two of them are still unable to pay any interest due to the breach of over collateralisation tests. They were valued at €17.5 million at the end of July 2010.

These ten positions, even considering the two deals (Northwoods VIII and Carlyle IX) unable to pay any coupon during the annual period, illustrate the ability of such assets to go through the financial and economic crisis that has been experienced. They accumulated $26.6 million (from $48 million of nominal) and €4.3 million (from €9 million of nominal) of payments since purchase and as of the end of July 2010, instead of respectively $24.8 million and €4.6 million that was projected at purchase date using the WARF of each underlying portfolio at that time (between 2% and 3% of default per year was projected depending on each deal).

This performance, for tranches that are highly levered first loss positions, is due to the ability of the underlying loan portfolio managers to avoid a significant portion of the defaults and to the very nature of these structures that encourage reinvestments when loan prices are low. Overall, for these ten deals, the excess ongoing cash flows available for the owner of the residual position have increased by more than 25% through the crisis according to the significant increase of the weighted average spread of the underlying portfolios.

A residual position on a CLO also gives access to the amount that remains in the structure once the debt tranches are paid back (at maturity if the normal process of deleveraging the structure takes place, sooner if the deal is called by the residual holders). It is possible to measure the principal amount of the underlying loans portfolio (defaulted loans are taken for their market value) that exceeds the principal amount of the outstanding CLO debt tranches at any point in time. This remaining principal amount increased, on average from 59.3% to 80.2% of the principal amount for the ten residual positions held by Volta, from end of July 2009 to end of July 2010. It illustrates the ability of the underlying portfolio managers to reconstitute principal value for the residual holders.

As an illustration, the six USD deals that are current on their payments as at the end of the annual period, paid for their latest quarterly payment an average amount equal to 7.2% of their nominal value despite some principal losses at the underlying loan portfolio level. The same deals paid, on average, a quarterly payment of 6% for the same period in 2008 (before default rates started to increase in the loans market).

All of the positions in this bucket (including Tennenbaum and Confluent) are negatively exposed to an increase, in the underlying portfolio, of default rates and of the percentage of assets rated CCC or below or to a significant decrease in underlying loans prices that could occur in the future. However, they also benefited from some of their intrinsic features, mainly the ability to reinvest diverted amounts and prepayments.

Considering the ongoing challenging economic picture, the Investment Manager expects defaults in both the US and European loan markets to continue occurring in the short to medium term but at a more moderate pace than that observed during the last twelve months.

The decision of the Company to invest in the CDO bucket only in CLOs (no ABS CDOs were purchased for example) and amongst CLOs mainly in residuals of US CLOs, instead of residuals of European CLOs, has proved to be beneficial to the Company. Recent market studies highlight that, on average and due to the underlying loan market liquidity, metrics of US dollar CLOs (Weighted Average Spread, WARF and size of the CCC bucket of the underlying portfolio) have improved more than European CLO metrics.

As at the end of July 2010, the average price of the Company's twelve positions (39.7% of par for the ten classic residual tranches and 70.42% of par for the two others) continued to reflect a highly stressed scenario of defaults and a high level of discount margin.

The average price of the ten classic residual positions (39.7% of par) could be compared to an average latest quarterly payment of 4.9% (including the deals that are not currently paying). These deals continue to be priced for two years of cash flows (considering latest cash payments) for assets that are supposed to pay for a remaining period of at least three to five years.

The average price of the residual holdings does not seem to reflect the possibility that the current situation (default rate that permit ongoing payments for most of the structures) could continue for some time and even could improve, as it is generally expected (rating agencies are expecting default rates to continue decreasing by the end of 2010 and to remain at a reasonably low level for 2011).

INVESTMENT MANAGER'S REPORT CONTINUED

TABLE 3 – LIST OF CDO RESIDUAL HOLDINGS AS OF 31 JULY 2010

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
Tennenbaum Opportunities Fund V	10.2	Residual of CLO	High yield bonds loans	Tennenbaum Capital Partners LLC	USA	N/A	Wachovia Bank
Wasatch CLO Ltd	3.1	Residual of CLO	Broadly syndicated loans	Invesco	USA	USG94608AB57	JP Morgan
Batallion CLO 2007–I Ltd–Equity	2.7	Residual of CLO	Broadly syndicated loans	Brigade Capital Management	USA	USG08887AA27	Deutsche Bank
Confluent Senior Loans Opportunities	2.7	Residual of CLO	Broadly syndicated loans	Credit Agricole Asset Management	USA	XA0262321804	Calyon
Goldentree Loan Opportunities IV Ltd*	2.5	Residual of CLO	Broadly syndicated loans	Golden Tree	USA	USG39607AC37	Deutsche Bank
Sands Point Funding Ltd*	2.5	Residual of CLO	Middle market loans	Guggenheim	USA	USG7800DAA93	Deutsche Bank
Galaxy Vii CLO Ltd*	1.6	Residual of CLO	Broadly syndicated loans	AIG	USA	USG25796AB20	Morgan Stanley
Lightpoint CLO V, Ltd*	1.5	Residual of CLO	Broadly syndicated loans	Lightpoint	USA	USG5487GAG31	Credit Suisse
Carlyle Hy Part IX*	1.2	Residual of CLO	Broadly syndicated loans	Carlyle Management	USA	KYG1908R1048	Lehman Brothers
Lightpoint Pan-European CLO 2006 Plc*	0.9	Residual of CLO	Broadly syndicated loans	Lightpoint	Europe	XS0282169803	Credit Suisse
Oak Hill European Credit Partners II Plc*	0.9	Mezzanine debt of CLO	Broadly syndicated loans	Oak Hill	Europe	XS0300349700	Deutsche Bank
Northwoods Capital VIII Limited*	0.6	Residual of CLO	Broadly syndicated loans	Angelo Gordon	USA	USG6666RAB18	JP Morgan

* Subordinated notes.

3. INVESTMENT PORTFOLIO CONTINUED

MEZZANINE TRANCHES OF CLOS

As at the end of July 2010, the Company held 30 positions in mezzanine tranches of CDOs accounting for 38.4% of Volta's end-of-period GAV. With the exception of one investment that is unrated but could be considered equivalent to a tranche rated BB-rated tranche taking into account its level of subordination, these investments have been in tranches initially rated between BB (second loss position) and AA (generally fifth loss position).

These positions were purchased between March 2008 and July 2010. Each asset, at the time of purchase, was expected to repay in full its principal at maturity and to be able to sustain a certain level of stress. Depending on the ability to find opportunities in the market and on the timing of the purchases, the Company has been able to purchase assets with different levels of initial subordination and IRR. On average the expected IRR of these assets was 17.5% at the time of purchase under a base case scenario.

These positions, as for the residual holdings, have cash flows that are sensitive to the level of defaults and the percentage of assets rated CCC or lower in the underlying loan portfolio. Nevertheless, these tranches are structured to be able to absorb a higher level of defaults in the underlying loan portfolio than residual holdings, given their second, third and even higher loss ranking.

As at the end of the annual period, two of the 30 mezzanine tranches of CLOs were currently unable to pay their coupons, the Class IV tranche of Cheyne Credit Opp CDO 1 and the Class E tranche of Alpstar II, but payments are expected to be honoured later according to information that has been given to the Company. However, the Class E tranche of Alpstar II (which is the only mezzanine tranche of CLOs that has been impaired at the end of July 2009) remains the most uncertain tranche when considering its ability to meet its full payments as demonstrated by stress scenarios run at the end of July 2010.

Considering the current market and economic circumstances, some of these positions could suffer delays in their payments from time to time. However, with a reasonable economic scenario formed at the end of the annual period, delayed payments are expected to be met in full for all the mezzanine tranches of CLOs. However, the average price of these 30 positions, at 50% of par at the end of the period, appears to give more credit to a deteriorating scenario. In other words, this average price does not reflect the likely scenario, at this stage, that the vast majority of these assets should meet their expected payments.

Six of these positions (Adagio III, Alpstar II, Puma, Centurion, Apidos, Black Diamond) have structural features that could generate some early payments of principal that should be beneficial to the Company, considering that these positions were bought significantly below par.

TABLE 4 – LIST OF CDO MEZZANINE HOLDINGS AS AT 31 JULY 2010

Issuer	% GAV	Description of investment	Initial rating	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
McDonnell Loan Opportunity	3.9	Mezzanine debt of CLO	Unrated	Broadly syndicated loans	McDonnell Investment Mgt LLC	USA	USG6016MAA11	Deutsche Bank
RMF Euro CDO (Class II Notes)	3.2	Mezzanine debt of CLO	AA	Broadly syndicated loans	PEMBA Credit Advisors	Europe non-UK	XS0292424024	BNP Paribas
Oak Hill European Credit 2007 (Class C1 Notes)	2.7	Mezzanine debt of CLO	A	Broadly syndicated loans	Oak Hill	Other	XS0300347910	Deutsche Bank
ADAGIO III CLO (Class B Notes)	2.3	Mezzanine debt of CLO	AA	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262681504	Lehman Brothers
ICE 1 Emerg CLO (Class A3 Notes)	2.2	Mezzanine debt of CDO	AA	Emerging Debt	ICE Canyon LLC	Other	USG4746PAD09	Citigroup
PUMCL 2008 (Class E Notes)	1.8	Mezzanine debt of CLO	BB	Broadly syndicated loans	M&G Investment Management Ltd	Europe non-UK	XS0368831896	RBS
Batallion CLO 2007–I Ltd (Class D Notes)	1.7	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Brigade Capital Management	USA	USG071322AE14	Deutsche Bank
Centurion 10 (Class E Notes)	1.6	Mezzanine debt of CLO	BB	Broadly syndicated loans	River Source Investments LLC	USA	US15132PAA12	Morgan Stanley
Cheyne Credit Opportunity CDO I (Class IV Notes)	1.5	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Cheyne Capital Management Ltd	Europe non-UK	XS0243225728	Nomura
Batallion CLO 2007–L Ltd (Class E Notes)	1.5	Mezzanine debt of CLO	BB	Broadly syndicated loans	Brigade Capital Management	USA	USG08889AF79	Deutsche Bank
Oryx 1X (Class D Notes)	1.4	Mezzanine debt of CLO	BBB	Broadly syndicated loans	AXA IM	Europe non-UK	XS0230415373	UBS
Duane Street CLO (Class C1 Notes)	1.3	Mezzanine debt of CLO	AA	Broadly syndicated loans	Dimaio Capital	USA	US26358BAL27	Morgan Stanley
Laurelin (Class D1 Notes)	1.2	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Golden Tree Asset Management LP	Europe non-UK	XS0305010711	Barclays Capital
Limerock 1 (Class D Notes)	1.2	Mezzanine debt of CLO	BB	Broadly syndicated loans	Invesco	USA	US532623AH83	Credit Suisse
Green Lane CLO (Class C Notes)	1.2	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Guggenheim	USA	US393106AJ84	Wachovia Bank N.A.
H1776 CLO (Class D Notes)	1.1	Mezzanine debt of CLO	BBB	Broadly syndicated loans	W.R.Huff Asset Management	USA	US81806PAE07	Deutsche Bank
Adagio III CLO (Class C Notes)	1.0	Mezzanine debt of CLO	A	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262682148	Lehman Brothers
Leveraged Fin Cap II (Series II Notes)	1.0	Mezzanine debt of CLO	AA-	Broadly syndicated loans	BNP Paribas Structure	Europe non-UK	XS0174376151	BNP Paribas
Euro-Galaxy CLO B.V. (Class E Notes)	0.9	Mezzanine debt of CLO	BB	Broadly syndicated loans	AIG Global Investments	Europe non-UK	US29871UAG31	AIG Global Investments
Colts 2007 1X (Class D Notes)	0.9	Mezzanine debt of CLO	BBB	Middle market loans	Structured Asset Investors LLC	Other	USG23108AC01	Wachovia Bank N.A.
Adagio III CLO PLC (Class E Notes)	0.9	Mezzanine debt of CLO	BB-	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262683971	Lehman Brothers
ALPSTAR CLO 2 PLC (Class E Notes)	0.8	Mezzanine debt of CLO	BB-	Broadly syndicated loans	Alpstar Management Jersey Ltd	Europe non-UK	XS0291723079	Bank of America
Guggenheim 1888 Fund Ltd (Class C Notes)	0.6	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Guggenheim	USA	USG6752LAD58	Wachovia Bank N.A.
Apidos CDO 2006 (Class E Notes)	0.6	Mezzanine debt of CLO	BB	Broadly syndicated loans	Apidos Capital Management	USA	US03761NAA00	Morgan Stanley
Oak Hill European Credit Part (Class E Notes)	0.5	Mezzanine debt of CLO	BB	Broadly syndicated loans	Oak Hill	Europe non-UK	XS0300349379	Deutsche Bank
Atrium CDO (Class D Notes)	0.4	Mezzanine debt of CLO	BB	Broadly syndicated loans	CSAS	USA	US049629AF50	CSFB
Colts Trust CLO (Class C Notes)	0.4	Mezzanine debt of CLO	A	Middle market loans	Ares Management/ Ivy Hill AM	Other	USG23108A083	Wachovia Capital Markets
Octagon IP XI (Class D Notes)	0.3	Mezzanine debt of CLO	BB	Broadly syndicated loans	Octagon Investment Partners	USA	USG67245AF09	Citigroup/GS
Leopard CLO BV (Class E Notes)	0.2	Mezzanine debt of CLO	BB	Broadly syndicated loans	Prudential M&G	Europe non-UK	XS0251752472	RBS
Black Diamond CLO 2005 (Class E Notes)	0.2	Mezzanine debt of CLO	BB	Broadly syndicated loans	Black Diamond Capital Management	USA	XS0232465202	Bear Stearns

INVESTMENT MANAGER'S REPORT CONTINUED

TABLE 5 – LIST OF ABS HOLDINGS AS AT 31 JULY 2010

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
Promise Mobility 2006–1 GmbH	5.7	Residual of ABS	German SME	IKB	Europe non-UK	N/A	Deutsche Bank
Holmes Master Issuers PLC	2.0	Senior tranche of ABS	Residential mortgages	Abbey National PLC	Other	XS0275492683	Barclays Capital
RMAC 2004-NS2 – Senior AAA Debt	1.0	Senior debt of ABS	UK non-conforming RMBS	GMAC–RFC	UK	XS0194465141	HSBC–RBS
RMAC Securities No.1 Plc (Series 2007–NS1)	0.0	Residual of ABS	UK non-conforming residential mortgage loans	GMAC–RFC	UK	XS030812470	HSBC–RBS
Alba 2007–1 Plc	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0301709621	Credit Suisse
Alba 2006–2 Plc	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0271780651	Credit Suisse
Newgate Funding Plc 2006–2	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Mortgage Plc	UK	XS0259286101	Merrill Lynch International
Eurosail 2006–1 PLC	0.0	Residual of ABS	UK non-conforming residential mortgage loans	SPML	UK	XS0254441081	Lehman Brothers
Alba 2006–1 PLC	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0255043050	Credit Suisse

3. INVESTMENT PORTFOLIO CONTINUED

ABS

As at 31 July 2010, the Company's investments in this asset class, representing €8.7 million, can be split into three different buckets: one deal backed by German Small and Medium Enterprise ("SME") loans (Promise Mobility), represents 66% of the fair value of the asset class; two positions in European short-term ABS, represent 34%; and six residual income positions backed by UK non-conforming residential loans valued at almost zero. The Company has no exposure to US residential sub-prime mortgages.

The six UK non-conforming residual positions held by the Company were valued at €1,000 at the end of July 2010 compared to €100,000 as at July 2009. As already disclosed in previous reports, these valuations reflect the very low probability that these assets will pay any cash flow in the future. This situation is the direct consequence of the high level of delinquencies and losses that have been observed since 2007 on this kind of investment due to the UK financial and housing crisis.

Promise Mobility is a first loss position on a highly diversified portfolio (1,265 positions according to the latest report) of loans made to German SMEs. Since inception, this portfolio has suffered a reasonable number of loans in default or in workout process, together generating €5.4 million of losses from a portfolio of €2.4 billion, which is well below expectations at the time of purchase. During the annual period, the level of delinquency has increased (according to the latest report on Promise Mobility, 13 loans are delinquent and 28 are in work out process) but not at a pace to suggest the expectations formed at purchase are invalid. However, the difficult German and global economic situations could increase the risk of more defaults in the coming quarters, eventually affecting the payments received from Promise Mobility.

At the end of the semi-annual period, the Company's portfolio included two positions in short-term European ABS assets valued at a total of €3 million. It should be expected that the Company will continue to invest in short-term AAA European ABS in order to improve its cash management as cash or near cash assets need to be maintained mainly to fund dividends, margin calls and general Company expenses.

CORPORATE CREDIT

The Company originally focused 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 managed by AXA IM Paris. During the annual period, thanks to the significant discount margins that were used by market participants to trade more senior assets, the Company diversified its Corporate Credit portfolio through four investments in tranches initially rated AAA or A tranches (one of these positions has subsequently been sold during the period).

TABLE 6 – LIST OF CORPORATE CREDIT HOLDINGS AS AT 31 JULY 2010

Issuer	% GAV	Description of investment	Description of underlying asset	Manager	Principal geographical exposure	ISIN	Arranging institution
ARIA CDO III (Ireland) Plc	9.1	Bespoke CDO tranche	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0375442307	JP Morgan
Jazz III CDO – AB – Junior AAA debt	6.0	Mezzanine debt of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	US47215CAB19	Merrill Lynch International
Dryden XVII – Junior AAA debt	2.0	Senior tranche of CSO	Majority investment grade corporate credit	Prudential IM	USA	USG7546RAP40	UBS
Jazz III CDO (Ireland) PLC	0.7	Residual of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263617374	Merrill Lynch International
Jazz III CDO (Ireland) PLC – CA-A debt	0.2	Mezzanine debt of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0262646697	Merrill Lynch International
Jazz III CDO (Ireland) PLC	0.1	Residual of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263615675	Merrill Lynch International

As at 31 July 2010, the exposure to Corporate Credits was through six investments in tranches of Corporate Credit portfolios ("bespoke CSOs"), representing 18.1% of the end of period GAV. Three of those positions (ARIA III, Jazz III euro and Jazz III USD residual positions), valued at €9.9 million, are first loss positions in credit portfolios. The three others, valued at €8.3 million, are senior or mezzanine debt tranches of Corporate Credit portfolios (the initially AAA-rated USD tranche of Jazz III, the initially A-rated tranche of Jazz III and the initially AAA-rated tranche of Dryden XVII). ARIA III and Jazz III are Corporate Credit portfolios managed by AXA IM Paris. Prudential IM manages Dryden XVII.

The first loss tranches suffered no default during the annual period and the situation of those positions, at the end of the period, was as follows:

TABLE 7 – ARIA III CDO: TECHNICAL SPECIFICATIONS

	At 31 July 2010	At 31 July 2009
Nominal size	**€25 million**	€25 million
WARF (S&P)*	**386**	382
Number of names	**173**	174
Attachment/detachment points	**0.00% – 1.83% (61% of nominal)**	0.00% – 1.82%
Remaining principal	**€15 million**	€15 million

* A WARF at 360 corresponds to an average rating of BBB.

TABLE 8 – JAZZ III CDO: TECHNICAL SPECIFICATIONS

	At 31 July 2010	At 31 July 2009
Euro-denominated tranche		
Nominal size	**€8.6 million**	€8.6 million
Number of names	**374**	356
USD-denominated tranche		
Nominal size	**USD 2.0 million**	USD 2.0 million
Number of names	**386**	356

Regarding ARIA III, the Investment Manager has stabilised the credit risk of the underlying portfolio, as measured by S&P through the WARF, and maintained a high level of diversification considering the 173 different positions that constituted the underlying portfolio as at the end of July 2010. Considering the loss of principal already incurred due to the Lehman Brothers Holding, Inc. default (in 2008), and the possibility of further defaults in conjunction with the WARF of its underlying portfolio, only a portion of ARIA III's nominal is expected to be paid at maturity.

Regarding Jazz III, the Investment Manager has been able to significantly increase the expected ongoing payments to the equity of Jazz III through trading in higher yielding names, negative basis trades and trading gains. Despite a very low market value, the Company considered Jazz III, as at the end of July 2010, to be able to deliver expected cash flows that are not materially different, in terms of IRR, to those expected at the time of its purchase.

INVESTMENT MANAGER'S REPORT CONTINUED

TABLES 9 AND 10 – VALUATION OF PART OF VOLTA'S ASSETS DEPENDING ON DEFAULT SCENARIOS AND ON DISCOUNT RATES

		10% Discount Rate		
	GAV Value	WARF	1.5xWARF	2xWARF
First loss tranches of Corporate Credit	9,875,640	21,720,364	16,497,610	11,570,441
Mezzanine debt of Corporate Credit	8,256,968	12,482,783	12,482,783	12,482,783
First loss tranches of CLOs	20,206,416	34,595,855	24,790,490	15,489,527
Mezzanine debt of CLOs	38,391,982	54,770,535	54,678,382	54,924,151
Total (€million)	76,731,006	123,569,537	108,449,264	94,466,902
GAV per share	2.53	4.08	3.58	3.12

		15% Discount Rate		
	GAV Value	WARF	1.5xWARF	2xWARF
First loss tranches of Corporate Credit	9,875,640	19,601,500	15,026,476	10,683,709
Mezzanine debt of Corporate Credit	8,256,968	10,540,333	10,540,333	10,540,333
First loss tranches of CLOs	20,206,416	28,383,773	20,536,316	13,012,923
Mezzanine debt of CLOs	38,391,982	43,514,894	43,516,714	44,024,898
Total (€million)	76,731,006	102,040,500	89,619,839	78,261,863
GAV per share	2.53	3.37	2.96	2.58

These simulations are for illustrative purposes only and are based on a number of assumptions and should not be regarded as profits or earnings forecasts. In addition, changes to current market conditions may cause changes to certain of the assumptions considered in the above examples which could produce different results, less favourable to investors. Accordingly, no representative or warranty is made that any simulation will happen or any asset will perform or will be sold in accordance with the tables set forth.

3. INVESTMENT PORTFOLIO CONTINUED

CORPORATE CREDIT CONTINUED

Nevertheless, these three positions in ARIA III and Jazz III are first loss positions and their remaining principal and their coupons are sensitive to any defaults that could occur.

The remaining positions in the Corporate Credit asset class (the initially AAA-rated USD tranche of Jazz III and the initially A-rated EUR tranche of Jazz III and the initially AAA-rated tranche of Dryden XVII) had, at the end of the period, a level of subordination such that they were expected by the Company, to pay all their coupons and their full principal. Under such a scenario, these assets have been bought on average at an expected IRR of 21%.

Through the crisis, the Corporate Credit portfolio of the Company has been actively managed: the Investment Manager of the three first loss positions has succeeded in increasing the number of exposures and the industry diversification of the underlying portfolios and the tail risk of the asset class has been decreased by adding senior tranches at attractive expected IRR.

4. UNDERSTANDING THE GAV OF THE COMPANY

According to Volta's valuation policy GAV, is calculated using prices received by banks or brokers for all but three of Volta's assets. The exceptions being Promise Mobility which is model-based using a discount rate of 20% on projected cash flows, Tennenbaum, a loan fund, and Confluent SLO, a very low leverage residual tranche of CLO, that are valued using the value of their underlying assets. Confluent SLO is expected not to be held to maturity and has traded from time to time in the market at a discount to the underlying theoretical NAV and has been valued at 85% of its published NAV.

Prior to the end of 2008, banks and brokers sent the underlying assumptions, along with the prices of the assets, which permitted a better understanding of the prices (expected default rate, expected severity of default and discount rate of generated cash flows). Since the end of 2008 Volta receives only the price which means that the rationale for the prices is not obvious. At times it has seemed that some of those prices reflected a high level of discount of expected cash flows. For example, the ten classic residual tranches of CLOs held by Volta were priced for €9 million at the end of July 2009 but generated €7 million of cash flows during the following twelve months and cash flows are projected to remain stable.

In order to give shareholders more perspective regarding Volta's asset valuations, a grid of valuations has been provided for those of Volta's assets for which there exist classic analytic tools that permits linking the prices to simple underlying assumptions (mainly the expected level of default and recovery). The WARF of the underlying portfolios has been considered as the standard measure of the probability of default.

In order to generate a range of scenarios, WARFs have been multiplied by 1, 1.5 and 2 times and discount rates of 10% and 15% have been used. Other assumptions included a constant prepayment rate of 15% and a recovery rate of 60% for loans as well as a recovery rate of 30% for corporate credit exposures.

To illustrate these scenarios, constant annual default rates have been simulated for the underlying loans portfolio of Volta's CLO positions, on average, at 3.23% (WARF), 4.84% (1.5xWARF) and 6.46% (2xWARF). These three figures are greater than the average default rates of these deals over the annual period under review (from July 2009 to July 2010).

For all Volta's assets, except Tennenbaum, Promise Mobility, very short-term ABS assets, UK non-conforming residuals (valued at almost zero) and cash we have been able to generate expected cash flows under these scenarios using appropriate tools (Intex for example for CLOs). These simulations concerned 47 assets, representing €76.7 million of assets, 76.6% of the GAV or €2.53 per share and gave the results shown in tables 9 and 10 on page 14.

According to such calculations, the GAV of Volta at the end of July 2010 roughly reflected a default scenario in line with two times the WARF and the corresponding cash flows seemed to be discounted at a rate higher than 15%.

To put this in perspective, for the ten classic first loss CLO positions held by Volta at the end of July 2010, the WARF of the underlying portfolios, as they were measured at purchase (end of 2006/beginning of 2007) were a good tool for projecting the sum (not the effective timing) of cash flows received from these assets between purchase date up to the end of July 2010 despite the financial and economic crisis (see detailed figures in section 3). It should also be noted that applying a high discount rate (15%+) to cash flows resulting from stressed WARF assumptions should question the practice that persists in adding discount to discount when assessing the value of an asset.

5. FOREIGN EXCHANGE HEDGE OF USD INVESTMENTS

Since the rally in the USD at end of 2008, the Company has decided to use currency options to reduce the level of cash that could be called by its currency swap (and options) counterparties when the dollar appreciates. This change in the hedging strategy was put in place in order to avoid being forced to sell assets to face potentially increasing margin calls.

This strategy has been maintained and rolled over during the annual period and demonstrated its pertinence, especially between December 2009 and May 2010, when the US dollar appreciated strongly. This strategy also enabled the Company to continue investing in USD assets with a partial hedge against the depreciation of the USD and allowed the Company to invest more widely.

Since it was implemented in November 2008, this strategy has been successful in providing a certain level of currency hedge. It should be noted that the hedge of the currency exposure generated by non-euro assets could be affected where there is significant volatility in the US dollar/euro exchange rate. As a consequence, some gains or losses could come from the US dollar exposure.

INVESTMENT MANAGER'S REPORT CONTINUED

6. OUTLOOK

During the annual period, the overall investment strategy of the Company has been successfully adjusted in line with the changing market environment whilst pursuing the Company's objectives. Whilst at the time of the IPO most of Volta's positions were either first loss or residual positions, in June 2008, Volta began to invest in BB-rated or BB equivalent tranches of CLOs and since then AA, A or BBB tranches of CLOs have been regularly added to the portfolio increasing the weight of this asset class in Volta's GAV. AAA or A tranches of Corporate Credit portfolios have been added also. No investments were realised in the ABS area (except very short-term and senior European ABS for cash management purposes) as the risks associated with this kind of investment, amongst them the extension risk, were not considered to be appropriately priced.

This strategy contributed significantly to the stabilisation of interest and coupon amounts received by the Company. Six-month rolling cash flows (excluding principal amounts received from short-term ABS and mezzanine debt) increased from €8.8 million in July 2009 to €9.6 million in August 2010, after having reached a minimum of €7 million in November 2009. For the annual period the Company's Board proposed a €0.16 per share dividend further to the interim €0.13 per share dividend. Together these represent €8.7 million and correspond to nearly half of the annual interest and coupons received by the Company. This means that nearly half of the interest and coupons are used for reinvestment, after considering the payments of the Company's costs.

As a consequence, net reinvestments should be expected to amount to a few million euros per quarter for the next quarters which should permit the Company gradually to pursue the increase in nominal and market value of its assets as it has been successfully achieved for more than a year. However the pace at which ongoing cash flows will be reinvested could be adjusted if some financial or economic stress is anticipated.

TABLE 11 – NOMINAL AMOUNTS OF VOLTA'S ASSETS (€M)

	End of period nominal amounts		
	July 2009	January 2010	July 2010
First loss tranches of Corporate Credit	25.3	25.3	25.4
Mezzanine tranches of Corporate Credit	—	14.7	15.6
First loss tranches of CDOs	37.4	46.1	51.8
Mezzanine debt tranches of CDOs	31.1	61.2	77.0
ABS (including near cash ABS asset)	13.3	15.7	14.0
Cash	27.7	4.2	5.5
Total nominal (excluding cash)	107.0	162.9	183.8
Change from previous date due to USD appreciation	N/A	1.5	5.9

This table takes into account losses of nominal amounts that could not be recouped for Corporate Credit and ABS; residual tranches of CLOs are accounted for by their remaining principal amount as described in section 3; and USD nominal amounts being translated in euro using end of period cross rate.

Between January and July 2010, a period during which the cash held by Volta did not vary significantly, the Company has been able to increase the nominal amount of its assets by €12 million through reinvestments (excluding the effect coming from USD appreciation).

At the time of writing this report, discount margins are still attractive for Volta in some areas of the structured credit markets. The Company's investment strategy for the coming period is mainly to seek investments in what could be viewed, at the time of purchase, as structures producing ongoing cash flows: For example, AA, A or BBB-rated tranches of CLOs and AAA to A-rated tranches of Corporate Credit portfolio are all considered. From time to time, some investments in residual or first loss positions could be considered. The Company will also continue to invest in short-term senior European ABS assets to enhance its cash management in the perspective of funding dividend payments.

Considering the current market conditions, the investment strategy will also focus on switching some existing positions into almost similar transactions which the Investment Manager considers at the time of the switch provide cash flows higher or less uncertain than are expected from the assets that are sold. Considering the poor liquidity available for most of Volta's assets, such trades are expected to be few. During the annual period under review five assets have been sold.

At the time of writing, our general view on the current economic and financial crisis is that the worst may be considered over, but that the economic crisis, despite significant support from financial authorities and governments, has not ended. Economic growth is expected to be moderate, lower than in the previous economic cycles, but relatively stable as government and central banks are deeply involved. Such environment should be relatively favourable for corporate credit.

With regard to the financial system, the way losses experienced in the commercial real estate business are going to be managed could possibly lead to some surprises especially given that banks have struggled with losses from household debts (residential and consumer debts). Non-performing loans in certain countries (for example China, Spain and the US) are still an active issue for the financial system, even if it seems that the worst is over.

As for the valuation of Volta's assets at the end of the annual period, overall, it continues to reflect deep discount of ongoing cash flows resulting from severe default scenarios. It could give some room for improvement both for valuation and for effective cash flows. During the annual period discount rates on the most senior tranches of CLOs moved from double digit to single digit as investors began to feel more and more comfortable with those assets as default rates declined. Such move, if it continues, should permit more junior tranches to follow a similar path.

The Company has demonstrated its ability to adapt its investment strategy. The adjustment made to its cost structure during the 2009 financial year, as well as its ability to seize investments across the different segments of the structured finance markets, could provide encouraging prospects for the future.

AXA INVESTMENT MANAGERS PARIS
18 OCTOBER 2010

PORTFOLIO VALUATION

The Company publishes its GAV on a monthly basis and its NAV on a semi-annual basis.

The calculation of the GAV and the NAV 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).

As described below, as a consequence of market practice changes by arranging banks when communicating valuations of CDO tranches, the Company has adapted its on-going valuation policy from which it derives its NAV and GAV to be as follows:

› **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, 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 this case, the Investment Manager agreed in the Investment Management Agreement to 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 and the valuation information available with respect to each particular asset.

› **Case C (i):** where a financial asset involves an arranging bank, or another market participant, that provides valuations on a monthly basis together with its related main valuation assumptions (as may be the case, for example with bespoke CSOs), the valuations are sourced from such parties. In many cases, the valuation provider 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 is able to adjust such valuations in order to make them closer to the average prices for comparable assets if it appears that the valuations differ materially from comparable asset prices. The Investment Manager has agreed in the Investment Management Agreement to review the main assumptions 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 July 2010 and has concluded that the assumptions 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 approach the relevant banks for clarifications or adjustments. The Company uses reasonable endeavours to engage independent third parties to review semi-annually the main valuation assumptions 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 July 2010 and have concluded that they were fair and reasonable. Where a third party challenges one or more valuations on this basis, the Company will consider engaging the third party (or one or more third parties, such as, for example, an investment bank or seller of the underlying assets) to provide a valuation, or will adopt some other method of valuing the position.

- **Case C (ii):** for assets involving an arranging bank, or another market participant, for which the Company is able to collect on a monthly basis valuations from the arranging bank or from another bank or market participant, but not the assumptions underlying those valuations (as may be the case, as example, for cash CDOs), these valuations are used. In many cases, the valuation provider 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 is able to adjust such valuations in order to make them closer to the average prices for comparable assets if it appears that the valuations differ materially from comparable asset prices. 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 approach the relevant parties for clarifications or adjustments. The Company uses reasonable endeavours to engage independent third parties to review semi-annually the valuations and to report on the fairness and reasonableness of those valuations to the Portfolio Administrator and the Company. **Third parties have reviewed those valuations as of 31 July 2010 and have concluded that they were fair and reasonable.** Where a third party so engaged challenges one or more valuations on this basis, the Company will consider engaging the 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 or any other market participant that is willing to provide valuations on a monthly basis, or if an arranging bank, or other market participant, is unwilling to provide valuations on a monthly basis (as may, for example, be the case with some ABS residual positions), the Investment Manager has agreed in the Investment Management Agreement that it will provide a monthly valuation based on a pricing model. 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 July 2010 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 the 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.

The Board of the Company periodically reviews the Company's on-going valuation policy as it applies to each asset class in consultation with the Investment Manager, the Administrator and the Portfolio Administrator. The Board, from time to time, may make such changes in the policy as the Board deems in the best interest of shareholders.

BOARD OF DIRECTORS

01. JAMES GILLIGAN

CHAIRMAN AND INDEPENDENT DIRECTOR (APPOINTED INDEPENDENT DIRECTOR ON 10 MARCH 2010 AND CHAIRMAN OF THE COMPANY ON 30 APRIL 2010)

Mr Gilligan began his career with the Civil Service in his native Scotland, then moved to Guernsey in 1970, joining the Guernsey Income Tax office. In 1974 he joined the private bank Kleinwort Benson in Guernsey. He undertook various roles during his long career at the bank and he was Managing Director of the Guernsey Branch at the time of his retirement towards the end of 2006. Mr Gilligan is a Fellow of the Chartered Institute of Bankers and an ex-President of the Guernsey Centre of the Chartered Institute of Bankers. He is also an ex-Chairman of the Guernsey Association of Banks. He is a member of The Society of Trust and Estate Practitioners (retired). Mr Gilligan is Chairman of Guernsey Finance LBG, the entity charged with the promotion of Guernsey as an International Finance Centre, and also in this capacity he sits on the Finance Sector Group dealing with the strategic development of the finance sector in Guernsey.

02. CHRISTIAN JIMENEZ

SENIOR INDEPENDENT DIRECTOR

Mr Jimenez is Founder and Chief Executive Officer of Imene Investment Partners, an investment management advisory firm and of Diamant Bleu Gestion an asset management company based in Paris. Mr Jimenez was Chief Financial Officer of Ecureuil Vie, the insurance company subsidiary of the Caisse d'Epargne Group from 2004 to 2007. Prior to that, he was Chief Financial and Risk Officer of Compagnie Financière EULIA from 2002 to 2003. Mr Jimenez was Chief Executive Officer of SURASSUR, the reinsurance company subsidiary of the Caisse d'Epargne Group from 1995 to 2002, part of which time (2000 to 2001) he was also Chief Investment Officer of Caisse Nationale de Caisses d'Epargne et de Prévoyance. Prior to which, he was Deputy Chief Financial Officer of Caisse d'Epargne Group from 1994 to 1999 and held other positions at Banque Nationale de Paris and Banque de France. He was also a professor of Economics from 1979 to 1984. Mr Jimenez is also Honorary Chairman of Association Française des Gestionnaires d'Actif-Passif ("AFGAP"), having been a member of AFGAP since 1991, Chairman of AFGAP from 1997 to 1999 and Chairman of its Scientific Committee from 1999 to 2002 and Regional Director for France and Member of the Board of Professional Risk Managers' International Association ("PRMIA"), since 2002.

03. JOAN MUSSELBROOK

INDEPENDENT DIRECTOR

Ms Musselbrook was most recently Managing Director at MBIA UK Insurance Limited, a leading financial guarantor and provider of other specialised financial services. She began her career at NatWest International Division in 1985 and remained with the NatWest Group in various positions until 2000, at which time she was a Director of the Asset Securitisation Group at Greenwich NatWest. She joined MBIA Assurance S.A. as a Director in 2000 and was Managing Director of MBIA UK Insurance Limited from 2004 to 2006. Ms Musselbrook holds a degree from Oxford University.

04. PAUL VAROTSIS

INDEPENDENT DIRECTOR

Mr Varotsis is a partner at Reoch Credit Partners LLP, where he works as a consultant for financial institutions and advises investors, asset managers, intermediaries and software vendors on structured credit solutions. Mr Varotsis was Director of CDOs at Barclays Capital from 2002 to 2004. Prior to that, he was Executive Director, Structured Credit Trading, at Lehman Brothers from 2000 to 2002 and spent approximately ten years (1991 to 2000) at Chase Manhattan Bank and its predecessors; his last position at Chase was head of Credit and Capital Management (Europe Africa Middle East). He was European Chairman of the ISDA committee that participated in the drafting of the 2003 Credit Derivatives Definitions and advised the Bank of England and other regulators on the appropriate framework for the market's development. Mr Varotsis holds an MBA from the Stanford Graduate School of Business, a diplôme from the Institut d'Études Politiques de Paris and a diplôme from the Institut Supérieur de Gestion.

05. PETER CROOK

CHAIRMAN AND INDEPENDENT DIRECTOR

Mr Crook resigned as Chairman of the Company with effect from 30 April 2010.

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
Channel Islands
tel: +44 (0)1481 749610
e-mail: volta.finance@mourant.com
website: www.voltafinance.com

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

COMPANY SECRETARY, ADMINISTRATOR AND REGISTRAR
State Street (Guernsey) Limited
(formerly Mourant Guernsey Limited
– change of name 1 June 2010)
First Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 6HJ
Channel Islands

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.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

REPORT OF THE DIRECTORS

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

INCORPORATION

The Company was registered in Guernsey, Channel Islands on 31 October 2006 under The Companies (Guernsey) Laws 1994 to 1996 (as amended) (the "Old Law") with registered number 45747. The Old Law has now been superseded by The Companies (Guernsey) Law 2008 (the "New Law"). The Company has prepared these financial statements in compliance with the New Law.

ACTIVITIES

The Company is a closed-ended investment company with the objective of investing, amongst other asset classes, in Corporate Credits, CDOs and ABS and leveraged loans.

RESULTS AND DIVIDENDS

The International Financial Reporting Standards ("IFRS") net profit for the year amounted to €39.8 million.

The Directors consider recommendation of a dividend on a semi-annual basis. These payments are based on the Company's current general objective to pay, to the extent possible and reasonable, a dividend of approximately 10% per annum of the Company's net assets excluding cash at the end of the relevant period. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by The Companies (Guernsey) Law, 2008.

The Directors recommend the payment of a final ordinary dividend for the year of €0.16 per share to those shareholders on the register at 17 December 2010. The Directors are proposing to offer the possibility to Volta shareholders to vote at the forthcoming AGM on the subject of receiving the payment in cash or in Volta shares.

GOING CONCERN

The Directors have considered the impact of the market conditions at the year end date and subsequently. During the year, the fair values of the Company's assets have risen by a significant amount, the Company has no debt, the Company's cash flows are sufficient to cover current liabilities and, although most of the Company's investments do not trade on active markets, these investments could still be traded as evidenced by the recent sale of some of the Company's investments. The Directors are therefore of the opinion that the Company is a going concern and the accounts have been prepared on this basis.

DIRECTORS

The Directors who held office during the period and subsequently were:

P Crook (resigned 30 April 2010)

J Gilligan (appointed as an Independent Director on 10 March 2010 and Chairman of the Company on 30 April 2010)

C Jimenez

J Musselbrook

P Varotsis

The Directors' interests in the share capital as at the year end were:

	31 July 2010 Number of shares	31 July 2009 Number of shares
J Gilligan	**—**	—
C Jimenez	**65,883**	43,269
J Musselbrook	**64,941**	43,922
P Varotsis	**66,536**	43,922

ROTATION PROVISIONS

Mr Crook was appointed as Chairman in November 2006 for an initial period of three years. The other Directors were appointed to the Board in November 2006 for an initial period of two years.

In accordance with the rotation provisions set out in the Company's Memorandum and Articles of Incorporation and IPO Prospectus dated 4 December 2006, upon expiry of these initial periods of appointment, the Directors are required to stand for election or re-election to the Board with the terms of appointment becoming staggered, with one directorship candidate standing for election or re-election for a one-year term, one standing for election or re-election for a two-year term, and two standing for election or re-election for a three-year term. Thereafter, in the years in which their terms expire, the Chairman and each of the Directors are required to stand for election or re-election for a three-year term.

On 20 November 2008, Mr Jimenez, Mr Varotsis and Ms Musselbrook stood for re-election at the Company's second AGM. At this meeting it was resolved to re-elect Mr Jimenez for a further three-year period, Mr Varotsis for a further two-year period and Ms Musselbrook for a further year.

On 20 November 2009 Ms Musselbrook and Mr Crook stood for re-election at the Company's third AGM. At this meeting it was resolved to re-elect Ms Musselbrook and Mr Crook for a further three-year period.

Following interviews by the Nomination Committee members to identify suitable candidates, a formal recommendation was made by the Committee to appoint Mr James Gilligan as an Independent Director. On 10 March 2010 the Board resolved to appoint Mr James Gilligan as an Independent Director until the Company's fourth AGM.

REPORT OF THE DIRECTORS CONTINUED

ROTATION PROVISIONS CONTINUED

On 30 April 2010, Mr Crook resigned from his role as an Independent Director and Chairman of the Company. Following relevant induction measures, Mr Gilligan. was elected as Chairman of the Board with effect from 30 April 2010.

The terms of appointment of Mr Varotsis and Mr Gilligan will therefore expire in November 2010 and as such, on the recommendation of the Board, Mr Varotsis and Mr Gilligan will be standing for re-election for a three-year term at the forthcoming AGM scheduled to be held on 13 December 2010.

In addition, the resignation of Peter Crook as an Independent Director and Chairman of the Board as of 30 April 2010 will be noted at the AGM.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG Channel Islands Limited served as auditors during the period and have expressed their willingness to continue in office. A resolution to reappoint KPMG Channel Islands Limited as auditors will be put to the forthcoming AGM on 13 December 2010.

COMPANY SECRETARY

The Company Secretary is State Street (Guernsey) Limited (formerly Mourant Guernsey Limited) of First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 6HJ, Channel Islands.

By order of the Board

Authorised Signatory

STATE STREET (GUERNSEY) LIMITED
COMPANY SECRETARY
18 OCTOBER 2010

CORPORATE GOVERNANCE REPORT

As a Guernsey limited liability company with shares listed on Euronext Amsterdam, the Company is not subject to the UK Combined Code on corporate governance (as revised June 2008) (the "Combined Code"). Similarly the Dutch Corporate Governance Code does not apply to the Company and there is currently no formal corporate governance code applicable to Guernsey companies under Guernsey law. The Directors have nonetheless determined that the Company should voluntarily apply the Combined Code, with certain exceptions as detailed below.

STATEMENT OF COMPLIANCE

Throughout the year ended 31 July 2010 the Company has been in compliance with the provisions set out in Section 1 of the Combined Code, except as already explained or as set out below:

- Sections A–C: The Company will not have executive directors or a chief executive officer. Accordingly, provisions of the Combined Code relating to executive directors and the chief executive officer will have no application to the Company.

  Explanation: As the Combined Code itself states, investment companies typically have a board structure that differs from those of other companies, and this affects the relevance of particular provisions of the Combined Code. Due to the nature of the Company's business and the structure of its relationships with its Administrator, Portfolio Administrator and Investment Manager, the Directors do not believe it would be at present cost-effective or advisable to have full-time executive directors. The Directors intend to submit any future proposed increases in their remuneration to the Company's shareholders for approval.

- Section A.3.1: The Company has established its own criteria for assessing the independence of the Board (as detailed below) because the Company believes that this is more appropriate to its circumstances.

- Section C.3.5: The Company will not have an internal audit function.

  Explanation: The Directors believe that this requirement of the Combined Code was intended for Companies with internal accounting departments. The Company does not expect to have more than a single employee, who in any event would not be trained in audit matters. The Company will rely on its Administrator for assistance in drawing up its accounts and reports to shareholders.

- Section D.2: The Company will call and conduct its AGM of shareholders in accordance with the requirements of Guernsey law and with Euronext Amsterdam requirements, rather than in accordance with the English-law based Combined Code.

  Explanation: As a Guernsey domiciled company with a listing in Amsterdam, rather than a UK listed company, the Company will follow Guernsey and Euronext Amsterdam requirements relating to AGM's of shareholders, rather than those of the Combined Code or any other authority. In this way the Company will avoid potential for unanticipated conflicts of procedural requirements.

- Section C.2.1: The Board should, at least annually, conduct a review of the effectiveness of the Group's system of internal controls and should report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls and risk management systems.

  Explanation: The internal control environment of the Company is the product of control systems operated by its third party service providers together with oversight by the Audit Committee.

- Schedule A.5: All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

  Explanation: Although there is currently not a formal induction process in place, the Board is looking to develop this. The Directors confirm that they do update and refresh their skills, knowledge, and familiarity with the Company.

- Section B.1: The Remuneration Committee should judge where to position their Company relative to other companies. However, they should each use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in performance. They should also be sensitive to pay and employment conditions elsewhere in the Group, especially when determining annual salary increases.

  Explanation: The Board has considered comparable companies and has decided that due to the differences between these companies and Volta they will not take into consideration other companies' remuneration policies when setting their own. The Company has a Remuneration Committee that consists of the Directors who submit any proposed changes in their remuneration to the Company's shareholders for approval.

CORPORATE GOVERNANCE REPORT CONTINUED

THE BOARD

The Board is responsible for the determination of the Company's investment objective, investment guidelines and dividend policy and has overall responsibility for overseeing the Company's activities. Mr Crook acted as Chairman of the Board until his resignation on 30 April 2010 when Mr Gilligan was elected as Chairman to fill this vacancy. Mr Jimenez acts as the Senior Independent Director. Mr Crook, Mr Gilligan, Mr Jimenez, Ms Musselbrook and Mr Varotsis are independent from the Investment Manager and satisfy the independence criteria established by the Board as follows:

- the independent Board members may not be directors, employees, partners, officers or professional advisors to other funds that are managed by the Investment Manager or managed by any other company in the AXA Group;
- the independent Board members may not be directors, employees, officers, partners or professional advisors to the Investment Manager or any AXA Group companies;
- the independent Board members may not have a business relationship with the Investment Manager or any AXA Group Companies that is material to the members (although they may acquire and hold AXA Group insurance, investment and other products on the same terms as those available to other parties unaffiliated with AXA Group); and
- the independent Board members may not receive remuneration from the Investment Manager or any AXA Group companies (although they may acquire and hold AXA Group insurance, investment and other products in the same terms as those available to other parties unaffiliated with the AXA Group and they may accept commissions or other payments from parties entering into transactions with AXA Group companies as long as those commissions and payments are on market terms and are not material to the members).

The Board reviews at least annually whether there are other factors that potentially affect the independence of the independent members of the Board or involve meaningful conflicts of interest for them with the Company. Prospective investors in the Company's shares should note that other companies may define "independence" differently.

The composition of the Board in this respect is in accordance with the policy adopted by the Board and published in the Company's IPO Prospectus. The individual independence status of the Directors was last reviewed and confirmed by the Board on 18 October 2010.

All of the Directors are non-executive and the Company's day-to-day activities are delegated to third parties, including the Administrator, the Investment Manager and the Portfolio Administrator. The Company has entered into an Investment Management Agreement with the Investment Manager under which the Investment Manager is responsible for the management of the Company's investment portfolio subject to the Company's investment guidelines and the overall supervision of the Board.

COMMITTEES OF THE BOARD

Audit, Nomination and Remuneration Committees have been established by the Board and each Committee has formally delegated duties, responsibilities and terms of reference which are available upon request from the Company Secretary although are not currently available on the Company's website. Mr Jimenez was appointed as Chairman of the Audit and Remuneration Committees whilst Mr Crook was appointed as Chairman of the Nomination Committee. Subsequent to Mr Crook's resignation from the Board, Mr Gilligan was appointed as Chairman of the Nomination Committee.

The Audit Committee comprises Mr Crook (until his resignation on 30 April 2010), Mr Gilligan (appointed on 9 September 2010), Mr Jimenez, Ms Musselbrook and Mr Varotsis. Only Independent Directors serve on the Audit Committee and members of the Committee have no links with the Company's Auditors. The Audit Committee meet at least twice each year and meets the Auditors at least once each year. The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment or removal of the Auditors and their remuneration. The Committee considers the independence and objectivity of the Auditors and reviews any non-audit services that are to be provided by the Auditors. It receives and reviews the Company's financial statements and the reports of the Investment Manager and the Auditors. The Committee focuses on ensuring that effective systems of internal financial and non-financial control are maintained and works closely with the Company's third party service providers in this regard. As the Company's accounting functions are delegated to third parties, the Company does not have an internal audit function. The internal control environment of the Company is the product of control systems operated by its third party service providers, together with oversight exercised by the Audit Committee. To satisfy itself as to the existence and efficacy of material controls affecting the Company, the Committee has sought certain comfort and explanations from key third party service providers. Other than the Interim Review completed at a fee of €50,000, no other non-audit services have been provided to the Company by the Auditors during the year.

The Nomination Committee comprises Mr Crook (until his resignation on 30 April 2010), Mr Gilligan (appointed as Chairman of the Committee on 9 September 2010), Mr Jimenez, Ms Musselbrook and Mr Varotsis. Only Independent Directors will serve on the Nomination Committee. The Committee meets twice each year and considers the size, structure and composition of the Board. The Committee considers retirements, reappointments and appointments of additional or replacement Directors and makes recommendations to the Board in this respect with particular consideration to the rotation provisions set out in the Company's Memorandum and Articles of Incorporation and IPO Prospectus dated 4 December 2006.

COMMITTEES OF THE BOARD CONTINUED

The Nomination Committee meeting held on 18 October 2010 recommended that the Board put forward Mr Varotsis and Mr Gilligan for re-election at the forthcoming AGM for a three-year term.

The Remuneration Committee comprises Mr Crook (until his resignation on 30 April 2010), Mr Gilligan (appointed on 9 September 2010), Mr Jimenez, Ms Musselbrook and Mr Varotsis. Only Independent Directors serve on the Remuneration Committee. The Committee meets twice each year to review the remuneration of the Directors and any employees of the Company and make recommendations to the Board in this respect. The remuneration of the Directors was last reviewed by the Committee on 18 October 2010 and it was proposed that the Board accept a temporary 10% reduction to the Directors' remuneration and that this be notified to shareholders at the AGM to be held on 13 December 2010. This reduction will remain in place until the conclusion of the fifth AGM of the Company.

The composition of the above Committees and their terms of reference are kept under periodic review. The terms of reference of the Committees require that appointments to the Committee shall be for a period of up to three years. The current terms of appointment of Mr Varotsis, Mr Jimenez and Ms Musselbrook on the Board's Committees expire on 9 October 2010. On 9 September 2010 the Committees and the Board resolved to re-elect Mr Varotsis, Mr Jimenez and Ms Musselbrook to the Committees for a further three-year period.

ATTENDANCE

There were six Board meetings held during the year from 31 July 2009 to 31 July 2010. The attendance record of each of the Directors was as follows:

	Number of attendances
P Crook (resigned on 30 April 2010)	5
J Gilligan (appointed 10 March 2010)	3
C Jimenez	6
J Musselbrook	5
P Varotsis	6

There were four Audit Committee meetings and two Remuneration and Nomination Committee meetings held during the year from 31 July 2009 to 31 July 2010. The attendance record of each of the Committee members was as follows:

	Number of attendances		
	Audit Committee	Nomination Committee	Remuneration Committee
P Crook (resigned on 30 April 2010)	4	2	2
C Jimenez	4	2	2
J Musselbrook	3	2	2
P Varotsis	4	2	2

PERFORMANCE

The Chairman has reviewed the performance of each of the Directors and the Board as a whole, by conducting individual performance review meetings and presenting a report of his findings to the Board. This performance review was last conducted on 18 October 2010. The Chairman's report found the performance of the individual Directors and the Board as a whole over the review period to be excellent.

The Directors, other than the Chairman, led by the Senior Independent Director, have reviewed the performance of the Chairman by group appraisal and subsequent presentation of a report to the Board. This performance review was last conducted on 18 October 2010. The Senior Independent Director's report found the performance of the Chairman over the review period to be excellent.

INVESTOR RELATIONS

Shareholders are able to contact the Company directly through its dedicated e-mail address or by correspondence sent to the Company Secretary or to the Investment Manager. As a consequence, the Board received appropriate updates from the Company Secretary and from the Investment Manager relative to such correspondence to keep it informed of shareholders' sentiment or analysts' views. The Company also holds periodic investor calls in which members of the Board participate and which the Board subsequently discusses at its Board Meetings. The next investor call is due to be held on 25 November 2010.

DIRECTORS' REMUNERATION REPORT

Each of the Directors has signed a letter of appointment with the Company setting out the terms of their appointment. Under the terms of these letters the Chairman is normally entitled to receive an annual fee of €120,000. Each of the other Directors is usually entitled to receive an annual fee of €60,000, in each case payable quarterly in equal instalments in arrears, plus in each case an additional fee of €10,000 per meeting for each of the first four meetings of the Board attended in person by such Director in any calendar year.

The Board of Directors decided on 18 October 2010 to apply a temporary 10% reduction to their remuneration. This change will be notified to shareholders at the AGM to be held on 13 December 2010, and will remain in place until the conclusion of the fifth AGM of the Company. As such, the Chairman will receive an annual fee of €108,000 and each of the other Directors will receive an annual fee of €54,000 which will in each case remain payable quarterly in equal instalments in arrears, plus in the case of the other Directors an additional fee of €9,000 per meeting for each of the first four meetings of the Board attended in person by such Director in any calendar year.

Each Director received 30% of his or her Director's fee in respect of any year in the form of newly issued shares at a per share price equal to the average per share closing price of the shares on Euronext Amsterdam over the 60 consecutive Euronext Amsterdam trading days preceding the date of issuance. The Directors are obliged to retain those shares for a period of no less than six months from their respective dates of issuance.

In addition to these fees, the Company reimburses all reasonable travel and other incidental expenses incurred by the Directors in the performance of their duties.

The total amounts for the Directors' remuneration for the period from 31 July 2009 to 31 July 2010 were as follows:

Director	Cash €	Shares €	Total €
P Crook	55,513	23,791	79,304
J Gilligan	16,800	7,200	24,000
C Jimenez	59,957	25,696	85,653
J Musselbrook	54,357	23,296	77,653*
P Varotsis	59,957	25,696	85,653*
Total Directors' remuneration	246,584	105,679	352,263

* Please note that the above table represents Directors' remuneration for the financial year which may vary to the agreed remuneration in the calendar year due to the timing of when Directors attend meetings.

The share element of the Directors' remuneration, amounting to €105,679, was issued as follows:

Director	Shares issued during the period	Shares issued after the period end	Total
P Crook	26,823	—	26,823
J Gilligan	—	3,380	3,380
C Jimenez	22,614	2,254	24,868
J Musselbrook	21,019	2,535	23,554
P Varotsis	22,614	2,254	24,868
Total	93,070	10,423	103,493

The Directors continue to hold these shares and no disposals of shares have been made by the Directors to date.

All remuneration of the Directors was in the form of fees. There was no performance related compensation.

None of the Directors has any personal financial interest in any of the Company's investments.

JAMES GILLIGAN
CHAIRMAN
18 OCTOBER 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements and that to the best of our knowledge and belief:

(a) this annual report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces; and

(b) the financial statements, prepared in accordance with IFRS, adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") give a true and fair view of the assets, liabilities, financial position and results of the Company.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VOLTA FINANCE LIMITED

We have audited the financial statements of Volta Finance Limited (the "Company") for the year ended 31 July 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Shareholders' Equity, the Statement of Cash flows and the related Notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements which give a true and fair view and are in accordance with International Financial Reporting Standards and are in compliance with applicable Guernsey law are set out in the Statement of Directors' Responsibilities on page 29.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2010 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

EMPHASIS OF MATTER

We draw attention to Notes 4 and 22 which describes how the fair values of the Company's financial assets and liabilities are determined and the related uncertainty with regard to fair value estimation in current market conditions. Our opinion is not qualified in respect of this matter.

DERMOT A DEMPSEY
FOR AND ON BEHALF OF KPMG CHANNEL ISLANDS LIMITED
CHARTERED ACCOUNTANTS AND RECOGNISED AUDITORS
26 OCTOBER 2010

INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2010

	Notes	**1 August 2009 to 31 July 2010 €**	1 August 2008 to 31 July 2009 €
OPERATING INCOME:			
Deposit interest income	6	**9,458**	429,001
Effective interest income on available-for-sale securities and investments at fair value through profit or loss	6	**15,153,702**	17,197,637
Income from Total Return Swap	6	**—**	11,426
Net (expense)/income on settlement of forward foreign exchange contracts	6	**(721,223)**	1,409,515
		14,441,937	19,047,579
OPERATING EXPENDITURE:			
Legal fees		**(26,964)**	(65,373)
Audit fees		**(283,918)**	(181,244)
Investment management fees	23	**(933,662)**	(1,329,830)
Custodian fees		**(28,379)**	(28,137)
Portfolio valuation and administration fees		**(41,652)**	(78,159)
Company secretarial, administration and accountancy fees	7	**(259,244)**	(253,810)
Directors' remuneration	8	**(359,406)**	(522,763)
Insurance		**(123,331)**	(104,709)
Other operating expenses		**(87,819)**	(81,590)
		(2,144,375)	(2,645,615)
OPERATING PROFIT:		**12,297,562**	16,401,964
REALISED AND UNREALISED PROFITS/(LOSSES):			
Unrealised loss on forward foreign exchange contracts	6	**(1,895,097)**	(8,362,536)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	6	**811,171**	(55,602,010)
Unrealised foreign exchange gain on available-for-sale securities	6	**2,920,730**	7,415,281
Net unrealised fair value movements on sold available-for-sale securities transferred to profit or loss	6	**(268,872)**	—
Reversal of impairments previously recognised/(provision for impairments) on available-for-sale debt securities	6	**24,184,776**	(58,532,246)
Net foreign exchange gain on other assets	6	**437,343**	900,024
Realised gain on investments	6	**1,329,005**	81,262
		27,519,056	(114,100,225)
FINANCE EXPENSES:			
Liquidity facility fee	17	**—**	(15,375)
		—	(15,375)
PROFIT/(LOSS) FOR THE YEAR		**39,816,618**	(97,713,636)
GAIN/(LOSS) PER ORDINARY SHARE			
Basic	10	**€1.3146**	€ (3.2454)
Diluted	10	**€1.3146**	€ (3.2454)
		Number of shares	Number of shares
Weighted average ordinary shares outstanding			
Basic	10	**30,287,281**	30,108,245
Diluted	10	**30,287,281**	30,108,245

The Notes on pages 37 to 55 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2010

	Notes	1 August 2009 to 31 July 2010 €	1 August 2008 to 31 July 2009 €
PROFIT/(LOSS) FOR THE YEAR		**39,816,618**	(97,713,636)
OTHER COMPREHENSIVE INCOME			
Net unrealised gain/(loss) on available-for-sale securities recognised in the year	6	**6,911,691**	(16,928,952)
Net unrealised loss on sold available-for-sale securities transferred to profit or loss		**268,872**	—
Cumulative unrealised loss on impaired available-for-sale securities transferred to profit or loss		**—**	16,733,669
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**7,180,563**	(195,283)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**46,997,181**	(97,908,919)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		**46,997,181**	(97,908,919)

The Notes on pages 37 to 55 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2010

	Notes	**31 July 2010 €**	31 July 2009 €
ASSETS			
Available-for-sale securities	11	**84,259,670**	22,220,347
Financial assets at fair value through profit or loss	12	**8,134,604**	6,975,253
Trade and other receivables	14	**3,487,668**	2,256,140
Cash and cash equivalents	15	**5,565,471**	27,672,532
TOTAL ASSETS		**101,447,413**	59,124,272
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	18	**—**	—
Share premium	19	**523,561**	405,990
Warrants	20	**1,410,000**	1,410,000
Other distributable reserves	21	**256,700,276**	263,667,202
Net unrealised fair value movements on available-for-sale securities	21	**(14,616,834)**	(21,797,397)
Accumulated loss	21	**(145,434,768)**	(185,251,386)
TOTAL SHAREHOLDERS' EQUITY		**98,582,235**	58,434,409
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss	13	**1,908,716**	13,619
Trade and other payables	16	**956,462**	676,244
TOTAL EQUITY AND LIABILITIES		**101,447,413**	59,124,272
Net asset value per ordinary share outstanding			
Basic		**€3.2524**	€1.9340
Diluted		**€3.2524**	€1.9340

These financial statements on pages 32 to 55 were approved by the Board of Directors on 18 October 2010 and were signed on its behalf by:

JAMES GILLIGAN
CHAIRMAN

CHRISTIAN JIMENEZ
SENIOR INDEPENDENT DIRECTOR

The Notes on pages 37 to 55 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 JULY 2010

	Notes	Ordinary shares €	Share premium €	Warrants €	Other distributable reserves €	Accumulated loss €	Available-for-sale securities unrealised losses €	Total €
Balance at 31 July 2008		—	267,990	1,410,000	272,993,894	(87,537,750)	(21,602,114)	165,532,020
Net unrealised loss on available-for-sale securities recognised in the year	6	—	—	—	—	—	(16,928,952)	(16,928,952)
Cumulative unrealised loss on impaired available-for-sale securities transferred to profit or loss	6	—	—	—	—	—	16,733,669	16,733,669
Total income and expense recognised directly in equity		—	—	—	—	—	(195,283)	(195,283)
Net loss for the year	21	—	—	—	—	(97,713,636)	—	(97,713,636)
Total recognised income and expense		—	—	—	—	(97,713,636)	(195,283)	(97,908,919)
Issue of ordinary shares to Directors	19	—	138,000	—	—	—	—	138,000
Dividends paid	9	—	—	—	(9,326,692)	—	—	(9,326,692)
Balance at 31 July 2009		—	405,990	1,410,000	263,667,202	(185,251,386)	(21,797,397)	58,434,409
Net unrealised gain on available-for-sale securities recognised in the year	6	—	—	—	—	—	6,911,691	6,911,691
Net unrealised loss on sold available-for-sale securities transferred to profit or loss	6	—	—	—	—	—	268,872	268,872
Total income and expense recognised directly in equity		—	—	—	—	—	7,180,563	7,180,563
Net profit for the year	21	—	—	—	—	39,816,618	—	39,816,618
Total recognised income and expense		—	—	—	—	39,816,618	7,180,563	46,997,181
Issue of ordinary shares to Directors	19	—	117,571	—	—	—	—	117,571
Dividends paid	9	—	—	—	(6,966,926)	—	—	(6,966,926)
Balance at 31 July 2010		**—**	**523,561**	**1,410,000**	**256,700,276**	**(145,434,768)**	**(14,616,834)**	**98,582,235**

The Notes on pages 37 to 55 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2010

	Notes	**1 August 2009 to 31 July 2010 €**	1 August 2008 to 31 July 2009 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		**39,816,618**	(97,713,636)
Adjustments for:			
Effective interest income		**(15,153,702)**	(17,197,637)
Unrealised loss on forward foreign exchange contracts		**1,895,097**	8,362,536
Unrealised (gain)/loss on financial assets at fair value through profit or loss		**(811,171)**	55,602,010
Coupons received		**16,341,167**	20,655,270
Unrealised foreign exchange (gain)/loss		**(437,343)**	167,291
Unrealised foreign exchange gain of available-for-sale securities		**(2,920,730)**	(7,415,281)
(Reversal)/provision for impairments on available-for-sale securities		**(24,184,776)**	58,532,246
Net unrealised fair value movements on sold available-for-sale securities transferred to profit or loss		**268,872**	—
Realised gain on sale of investment		**(1,329,005)**	(81,262)
Decrease in trade and other receivables		**69,312**	1,068,382
Increase/(decrease) in trade and other payables		**204,220**	(1,179,236)
Directors' fees paid in the form of shares		**105,679**	154,092
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**13,864,238**	20,954,775
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		**(40,498,240)**	(7,402,090)
Proceeds from sale of investments		**11,056,524**	254,173
NET CASH USED IN INVESTING ACTIVITIES		**(29,441,716)**	(7,147,917)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(6,966,926)**	(9,326,692)
NET CASH USED IN FINANCING ACTIVITIES		**(6,966,926)**	(9,326,692)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(22,544,404)**	4,480,166
Effect of foreign exchange rate changes on cash and cash equivalents		**437,343**	(167,291)
Cash and cash equivalents at beginning of the year		**27,672,532**	23,359,657
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	**5,565,471**	27,672,532

CASH GENERATED FROM OPERATIONS

Cash generated from operations for the year of €13,864,238 includes the following interest receipts:

	1 August 2009 to 31 July 2010 €	1 August 2008 to 31 July 2009 €
Deposit interest	**9,458**	429,001

The Notes on pages 37 to 55 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

1. REPORTING ENTITY

The Company is a closed-ended limited liability company registered under The Companies (Guernsey) Law, 2008 with registered number 45747. 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 July 2010 the principal activity of the Company was investment in a diversified portfolio of mortgage-backed and other asset-backed securities, loans and equity instruments. 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. Subject to the risk factors that were described in the Company's IPO Prospectus and the risk factors that are described in Note 22, the Company's strategy focuses on direct and indirect investment in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. The Company's basic approach to investment in the Primary Underlying Assets, as defined in the Company's IPO Prospectus, is to invest in vehicles and arrangements that essentially provide exposure to portfolios of Primary Underlying Assets. There can be no assurance that the Company will achieve its investment objectives.

The Directors have chosen not to present quarterly financial statements. Semi-annual unaudited condensed financial statements are prepared in addition to annual audited financial statements. The Directors of the Company also publish an interim management statement covering the period between the beginning of each interim period and the date of publication of such interim management statement, in accordance with the Transparency Directive.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The financial statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and are in compliance with The Companies (Guernsey) Law, 2008.

New standards and interpretations adopted during the period

(i) Presentation of financial statements

The Company applied revised IAS 1 – "Presentation of Financial Statements" (2007), which became effective as at 1 January 2009. The Company has chosen to adopt the two statements approach: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).

The adoption of this standard impacts only the presentation aspects and does not impact the amounts reported in the current or prior financial periods.

(ii) Operating segments

IFRS 8 – "Operating Segments", which became effective for financial periods beginning on or after 1 January 2009, replaces IAS 14 "Segment Reporting". IFRS 8 requires an entity to identify and disclose financial information on operating segments of the entity on the "management approach" basis which is consistent with information provided internally to the chief operating decision maker of the entity and that is reviewed regularly to make decisions about allocation of resources to the respective segments and assess its performance, and for which discrete financial information is available. This is disclosed by the Company in Note 3.

(iii) IFRS 7 – "Financial Instruments: Disclosures"

In March 2009, the IASB issued amendments to IFRS 7 – "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments", which became effective for financial periods beginning on or after 1 January 2009.

The amendments extended the disclosures to be made with respect to fair value measurements and its components disclosed within the financial statements. A key new disclosure required now is the categorisation of fair value measurements within a three-level hierarchy that reflects the significance of inputs used in measuring the fair values. The fair value hierarchy is disclosed in Note 22.

Comparative information has not been presented nor restated as permitted by the transitional provisions of the amendment.

The adoption of the revised IFRS 7 has resulted in additional disclosures being made in the financial statements. The revised standard does not have any financial impact on the amounts reported in the financial statements for the current and prior financial periods.

Applicable new standards and interpretations issued but not yet effective

IFRS 9 (revised April 2009) – "Financial Instruments – Classification and Measurement" effective for annual periods beginning on or after 1 January 2013. This standard provides guidance on recognition, classification and measurement of financial assets. The standard contains two primary measurement categories: amortised cost and fair value. The Company will apply IFRS 9 for its accounting period commencing 1 August 2013.

In the opinion of the Directors, there are no other new standards issued but not yet effective that are material to the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

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 Statement of Comprehensive Income;
- 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 4. All other financial instruments are measured at amortised cost.

C) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in euros (rounded to the nearest whole euro), 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.

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.

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 the following:

- Note 4 (Determination of fair values); and
- pages 18 and 19 (Portfolio Valuation).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

A) FOREIGN CURRENCIES

Transactions in foreign currencies 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 reporting 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.

B) FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are initially recognised on the Company's Statement of Financial Position 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.

Derecognition

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. The Company uses the weighted average method to determine realised gains and losses on derecognition.

Classification and measurement

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

B) FINANCIAL INSTRUMENTS CONTINUED

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 the Statement of Comprehensive Income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the Income Statement.

Financial assets and liabilities 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 the Income Statement.

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 the Income Statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the Income Statement. The fair values of the foreign exchange swaps and options are measured as their quoted market prices at the reporting date.

(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.

C) 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.

D) 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:

- significant financial difficulty of the issuer or obligor;
- 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;
- it becomes probable that the borrower will enter bankruptcy, administration or other analogous financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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. The current fair values of the available-for-sale assets that are impaired as at the reporting date were determined as disclosed in Note 11.

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 the Income Statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in the Statement of Comprehensive Income.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

E) 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.

F) 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 the Income Statement, using the effective interest rate method. Effective interest income is calculated by multiplying the internal rate of return ("IRR") applicable to each individual asset against its amortised cost at each coupon date. The 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.

Other operating expenses are accounted for on an accruals basis.

G) 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 10.

H) 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.

I) DIVIDENDS PAYABLE

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

The Directors determine a dividend on a semi-annual basis, having regard to various considerations, including the financial position and the Distribution Income of the Company.

The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by The Companies (Guernsey) Law, 2008.

J) DISTRIBUTION INCOME

The full definition of Distribution Income may be found in the Company's IPO Prospectus and is reproduced on pages 56 and 57. The calculation of Distribution Income for the year can be found on page 56.

K) 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.

L) SEGMENT REPORTING

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Board is of the view that the Company is engaged in a single segment of business, being investment in diversified portfolio of collateralised debt obligations, asset-backed securities, corporate credits and other equity instruments. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

The Board is charged with setting the Company's investment strategy in accordance with the Prospectus. They have delegated the day to day implementation of this strategy to its Investment Manager but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The Investment Manager has been given full authority to act on behalf of the Company, including the authority to purchase and sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto.

Whilst the Investment Manager may take investment decisions on a day to day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager. The Board therefore retains full responsibility as to the major allocation decisions made on an ongoing basis. The Investment Manager will act under the terms of the Prospectus which cannot be radically changed without the approval of the Board and the shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

L) SEGMENT REPORTING CONTINUED

The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the gross asset value ("GAV") which is prepared on a monthly basis by Deutsche Bank AG. The GAV reported by Deutsche Bank AG includes all assets known to Deutsche Bank AG less any amounts owed to broker and options and open foreign exchange contracts liabilities. The table below shows the reconciliation between the measure of GAV used by the Board and that contained in the financial statements:

	31 July 2010 €
GAV as reported to the Board at 31 July 2010	**99,179,217**
Adjustments:	
– RBSI bank accounts	**11,947**
– RBSI security deposit	**7,190**
– Lightpoint Pan-European coupon debtor	**224,057**
– Broker account	**75,998**
– Options and open foreign exchange contracts	**1,908,716**
– D&O insurance prepayment	**40,288**
GAV as per statement of financial position at 31 July 2010	**101,447,413**

The GAV as reported by Deutsche Bank AG does not include cash held at RBSI as this cash is held to cover expenses payable.

The GAV as reported by Deutsche Bank AG does not include a Lightpoint Pan-European coupon debtor of €224,057. This was received in August 2010 and the amount is treated as accrued interest as at 31 July 2010. The fair value of this investment assumes that this coupon has been paid before the year end.

The GAV as reported by Deutsche Bank AG does not include a D&O insurance payment from the RBSI bank account.

The Company's assets held as of the period end and the geographical area the Company is invested into are presented in the Investment Manager's Report.

The Company held two investment which individually represented more than 10% of the effective interest income on available-for-sale securities and investments at fair value through the profit and loss. These investments were Jazz III with income amounting to €2,008,072 and ARIA III with income amounting to €2,986,910.

M) SHARE-BASED PAYMENT TRANSACTIONS

Directors receive 30% of their fees in respect of any year in the form of newly issued shares. The share-based payment awards vest immediately as the Directors are not required to satisfy a specified vesting period before becoming unconditionally entitled to the instruments granted. The fair value of equity-settled share-based payment awards is based on the two month average closing share price preceding the date of issuance. These are recognised as a Directors' fee, with a corresponding increase in liability when the Directors become unconditionally entitled to the awards. Equity is subsequently increased once the shares are issued.

4. 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 18 and 19.

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, 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; expected recovery rates; and the price of uncertainty or liquidity through the interest rate at which expected cash flows are discounted. 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, or another market participant, that provides valuations on a monthly basis, 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. Such valuations generally involve subjective judgements on key model inputs, particularly default and recovery rates, and may not be uniform. In the case of some of these assets, banks and other market participants are currently unwilling to disclose either the key model inputs or the discount rates that have been used to produce such valuations. In such circumstances, the valuation continues to be sourced from such arranging bank, or other market participant, despite the lack of valuation assumptions.

Where a financial asset does not involve an arranging bank, or if an arranging bank is unwilling to provide valuations, the Investment Manager will provide a monthly valuation based on a pricing model or through comparable asset prices.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

4. DETERMINATION OF FAIR VALUES CONTINUED

When and where required, third parties have reviewed these valuations as at 31 July 2010, together with the related main valuation assumptions where available, 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 reporting date.

The fair value calculations for the residual and debt 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 key model inputs from the historical one, then the model assumptions will be adjusted accordingly as well as the discounted rate used when establishing the fair value.

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.

There is no liquid market for the Company's investments. Consequently no quoted market prices exist for these assets. Therefore, the fair values of Volta's investments have been determined as described above. The split between the different methodologies is as follows:

	31 July 2010		31 July 2009	
	€m	**% NAV**	€m	% NAV
Case A	**—**	**—**	0.1	—
Case C (i)	**8.1**	**8.3%**	7.0	12.0%
Case C (ii)	**78.7**	**79.8%**	14.8	25.3%
Case D	**5.6**	**5.7%**	7.3	12.5%
	92.4	**93.8%**	29.2	49.8%

Further details on the valuation methodology are given on pages 18 and 19.

5. PROVISIONS FOR IMPAIRMENT AND THE EFFECT ON THE DISTRIBUTION INCOME CALCULATION

AVAILABLE-FOR-SALE DEBT SECURITIES

The Company held six UK non-conforming ABS residual positions at the end of July 2010. These positions were valued for €0.1 million at the end of July 2009 and for less than €1,000 at the end of July 2010. Impairments had been previously recognised on each of these investments as at 31 July 2009. Consequently, as required by IAS 39, the decreases in value of these investments have each been recognised as a further impairment through the Income Statement.

As the 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 €0.1 million (a cumulative amount equal to the difference between their book value and their mark-to-market value as of the end of July 2010 and the end of July 2009).

During the period, the improvements in the pace of credit events combined with the diminution of the weight of assets rated CCC or below as well as the increase in the average price of underlying portfolios supporting the Company's investments in CDOs, led the Company, based on the Investment Manager's advice, to revise upwards the expected future cash flows for all of the Company's investments in subordinated notes (residual interests) of CDOs and for one of the mezzanine tranches of CDOs. These upward revisions to the expected future cash flows have been reflected in the relevant valuations as at 31 July 2010. As required by IAS 39, the increases in value of these investments have each been recognised through the Income Statement.

As the subordinated notes of CDOs are classified as "available-for-sale securities" under IFRS, their increases in value as described above positively affected the Income Statement of the Company by €24.3 million (a cumulative amount equal to the difference between their book value and their mark-to-market value as of the end of July 2010 and the end of July 2009).

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Under IFRS, the increase in the mark-to-market value of assets designated as "financial assets at fair value through profit or loss" positively affects the Income Statement, regardless of whether or not such an increase is indicative of an improvement in the expected cash flows from these assets. Consequently no separate impairments of the Company's investments classified as "financial assets at fair value through profit or loss" were recognised in either the current period's or prior periods' Income Statements as the unrealised losses or gains on revaluation of such investments had already been recognised in such Income Statements.

EFFECT ON THE DISTRIBUTION INCOME CALCULATION

The Company's expectations of future cash flows for the only asset at fair value through profit or loss (ARIA III) have not materially changed during the current annual period. Consequently, no impairment or improvement has been recognised on these assets for the purpose of establishing the Distribution Income.

For the first time, revisions to the expected cash flows from 14 CDOs (13 residual positions and the mezzanine debt position previously impaired) positively affected the Distribution Income for the annual period ended 31 July 2010 in amounts equal to the discounted value of the difference between the previous and the current series of expected cash flows, being €28.7 million for these assets.

6. FINANCE INCOME AND EXPENSE RECOGNISED IN PROFIT OR LOSS

	31 July 2010 €	31 July 2009 €
Deposit interest income	**9,458**	429,001
Effective interest income on available-for-sale securities and investments at fair value through profit or loss	**15,153,702**	17,197,637
Income from TRS	**—**	11,426
Net (expense)/income on settlement of foreign exchange contracts	**(721,223)**	1,409,515
Unrealised foreign exchange gain on available-for-sale debt securities	**2,920,730**	7,415,281
Net foreign exchange gain on other assets	**437,343**	900,024
Realised gain on investments	**1,329,005**	81,262
Finance income	**19,129,015**	27,444,146
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**811,171**	(55,602,010)
Unrealised loss on forward foreign exchange contracts	**(1,895,097)**	(8,362,536)
Net unrealised fair value movements on sold available-for-sale securities transferred to profit or loss	**(268,872)**	—
Reversal of impairments previously recognised/(provision for impairments) on available-for-sale debt securities	**24,184,776**	(58,532,246)
Liquidity facility fee	**—**	(15,375)
Finance expense	**22,831,978**	(122,512,167)
Net finance expense recognised in profit or loss	**41,960,993**	(95,068,021)
Recognised directly in equity		
Net change in fair value of available-for-sale financial assets	**7,180,563**	(195,283)
Net finance expense recognised directly in equity	**7,180,563**	(195,283)

Interest income on impaired available-for-sale securities amounted to €2,835,526 (2009: €4,243,445).

7. COMPANY SECRETARIAL, ADMINISTRATION AND ACCOUNTANCY FEES

State Street (Guernsey) Limited (formerly Mourant Guernsey Limited) acts as Company Secretary, Administrator and Registrar. Company secretarial, administration and accountancy fees are incurred and billed on a time costs basis in accordance with State Street (Guernsey) Limited (formerly Mourant Guernsey Limited) standard fee scales, subject to an annual cap of £220,000 with respect to the activities and responsibilities as set out in the Administration, Registrar and Secretarial Agreement.

8. DIRECTORS' REMUNERATION

	31 July 2010 €	31 July 2009 €
Directors' fees (cash element)	**246,584**	359,550
Directors' fees (equity element, settled during the period)	**83,479**	120,000
Directors' fees (equity element, settled after the period end)	**22,200**	34,092
Directors' expenses	**7,143**	9,121
	359,406	522,763

None of the Directors has any direct personal financial interest in any of the Company's investments other than indirectly through their shareholding in the Company.

9. DIVIDENDS

The following dividends have been proposed and/or paid during the year ended 31 July 2010 and during the prior period ended 31 July 2009:

	Dividend per share €
Dividend for the semi-annual period ended 31 July 2010 (proposed)	**0.16**
Dividend for the semi-annual period ended 31 January 2010 (paid 6 April 2010)	0.13
Dividend for the semi-annual period ended 31 July 2009 (paid 25 November 2009)	0.10
Dividend for the semi-annual period ended 31 January 2009 (paid 27 March 2009)	0.06
Dividend for the semi-annual ended 31 July 2008 (paid 25 November 2008)	0.25

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

10. PROFIT/(LOSS) PER SHARE

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

	31 July 2010 €	31 July 2009 €
Profit/(loss) for the purposes of basic profit/(loss) per share being net profit/(loss) attributable to equity holders	**39,816,618**	(97,713,636)

	31 July 2010 Number	31 July 2009 Number
Weighted average number of ordinary shares for the purposes of basic profit/(loss) per share	**30,287,281**	30,108,245
Dilutive effect of ordinary shares subject to:		
Warrants (exercisable at €10 per share)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted profit/(loss) per share	**30,287,281**	30,108,245

The average market price, based on closing prices quoted on Euronext Amsterdam, for one ordinary share during the year ended 31 July 2010 was €1.69 (2009: €0.86).

11. AVAILABLE-FOR-SALE SECURITIES

		31 July 2010	
	Amortised cost €	Unrealised gains/(losses) €	Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	**15,705,853**	**(7,432,597)**	**8,273,256**
CDO assets	**63,782,814**	**(6,599,840)**	**57,182,974**
ABS assets	**13,446,248**	**(4,857,661)**	**8,588,587**
	92,934,915	**(18,890,098)**	**74,044,817**
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	**5,941,589**	**4,273,264**	**10,214,853**
Total available-for-sale securities	**98,876,504**	**(14,616,834)**	**84,259,670**

		31 July 2009	
	Amortised cost €	Unrealised gains/(losses) €	Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	8,292,985	(8,292,985)	—
CDO assets	19,560,168	(11,941,476)	7,618,692
ABS assets	10,722,204	(3,378,266)	7,343,938
	38,575,357	(23,612,727)	14,962,630
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	5,442,387	1,815,330	7,257,717
Total available-for-sale securities	44,017,744	(21,797,397)	22,220,347

Amortised cost is calculated after deduction of impairment losses recognised.

12. 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.

	31 July 2010 €	31 July 2009 €
Fair value brought forward	**6,975,253**	61,527,343
Purchase during the year	**—**	—
Coupons received	**(2,607,439)**	(5,532,854)
Interest income	**2,955,619**	6,582,774
Movement in fair value	**811,171**	(55,602,010)
Fair value carried forward	**8,134,604**	6,975,253

There have been no disposals of financial assets at fair value through profit or loss during either the current year or in any prior period.

13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 July 2010 €	31 July 2009 €
Options and open foreign exchange contracts	**1,908,716**	13,619

Foreign exchange forwards and options are classified as financial liabilities at fair value through profit or loss and are held to hedge some of the currency exposure generated by non-euro assets held by the Company. The hedge has been put in place taking into account the fact that derivative positions, such as simple foreign exchange swaps, could cause the Company to require cash to fund margin calls on those positions. Considering this, the Company decided to use foreign exchange call and put options to limit the liquidity risk that could be created in the event of significant margin calls. As a consequence of this limitation, there is no certitude that hedging some of the currency exposure generated by non-euro assets could continue to be performed in the future in case of high volatility in the USD/EUR cross rate.

14. TRADE AND OTHER RECEIVABLES

	31 July 2010 €	31 July 2009 €
Prepayments	**40,287**	78,214
Accrued effective interest receivable	**3,440,191**	2,177,926
Security deposit	**7,190**	—
	3,487,668	2,256,140

15. CASH AND CASH EQUIVALENTS

	31 July 2010 €	31 July 2009 €
Deposit accounts	**5,565,471**	27,672,532

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

16. TRADE AND OTHER PAYABLES

	31 July 2010 €	31 July 2009 €
Investment management fees	**565,660**	329,377
Directors' fees (cash payable)	**51,800**	79,549
Directors' fees (shares payable)	**22,200**	34,092
Accrued expenses and other payables	**316,802**	233,226
	956,462	676,244

17. LIQUIDITY FACILITY

On 30 January 2008 the Company concluded a €30 million 364-day revolving Facility Agreement with Citibank N.A. London Branch in order to maximise the Company's financial management flexibility. However, this Facility Agreement was cancelled by the Company in November 2008 due to market changes that combined to make this facility unusable. This facility was not utilised. Under the liquidity facility, subject to certain conditions as specified in the Facility Agreement, the Company could have drawn up to €30 million. The facility bore a commitment fee calculated at 0.15% per annum on any undrawn amounts.

18. SHARE CAPITAL

AUTHORISED

	31 July 2010 Number of shares	31 July 2009 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.

With respect to voting rights at general meetings of the Company, the ordinary shares and Class B share confer on the holder of such shares the right to one vote for each share held, whilst the holders of Class C shares do not have the right to vote.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

18. SHARE CAPITAL CONTINUED

AUTHORISED CONTINUED

Each class of share ranks pari-passu with each other with respect to participation in the profits and losses of the Company. The Directors consider recommendation of a dividend on a semi-annual basis, having regard to various elements including the financial position and the Distribution Income of the Company. The Company may declare an interim dividend by ordinary resolution of the Directors and may declare a final dividend by ordinary resolution of the shareholders at a general meeting, but no dividend shall exceed the amount recommended by the Board of Directors.

ISSUED AND FULLY PAID

	Ordinary number of shares	B share number of shares	C shares number of shares	Warrants number of shares
Balance at 31 July 2008	**30,042,039**	**1**	**—**	**3,000,000**
Issued to Directors during the period	172,475	—	—	—
Balance at 31 July 2009	**30,214,514**	**1**	**—**	**3,000,000**
Issued to Directors during the period	96,156	—	—	—
Balance at 31 July 2010	**30,310,670**	**1**	**—**	**3,000,000**

The IPO of ordinary shares on 20 December 2006 was priced at €10 per share. Shares have subsequently been issued to the Directors on a quarterly basis in respect of 30% of their fees at the following prices per share: €9.49; €9.37; €7.80; €7.00; €6.32; €3.90; €2.80; €1.74; €0.52; €0.52; €0.84; €1.23; €1.53; and €1.88.

19. SHARE PREMIUM ACCOUNT

	Ordinary €	B share €	C shares €	Warrants €
Balance at 31 July 2008	**267,990**	**—**	**—**	**1,410,000**
Issued to Directors during the period	138,000	—	—	—
Balance at 31 July 2009	**405,990**	**—**	**—**	**1,410,000**
Issued to Directors during the period	117,571	—	—	—
Balance as 31 July 2010	**523,561**	**—**	**—**	**1,410,000**

The share premium account represents the issue proceeds received, or value attributable, from the issue of share capital, except for the share premium amount of €285,001,174 arising from the Company's initial issue of share capital upon its IPO, which was transferred to other distributable reserves on 26 January 2007, following approval by the Guernsey Royal Court.

20. WARRANTS

	2010	2009
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	**€2.40**	€0.92
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 became exercisable after 30 November 2008. They will cease to be exercisable after 31 December 2016.

21. RESERVES

	Accumulated loss €	Other distributable reserves €	Net unrealised fair value movements on available-for-sale securities €
As at 31 July 2008	(87,537,750)	272,993,894	(21,602,114)
Loss for the year	(97,713,636)	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	(195,283)
Dividend paid	—	(9,326,692)	—
As at 31 July 2009	(185,251,386)	263,667,202	(21,797,397)
Gain for the year	39,816,618	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	7,180,563
Dividend paid	—	(6,966,926)	—
As at 31 July 2010	**(145,434,768)**	**256,700,276**	**(14,616,834)**

The accumulated loss reserve represents all profits and losses recognised through the Income Statement to date.

Other distributable reserves represents the balance transferred from the share premium account on 26 January 2007, less dividends paid. The initial purpose of this reserve was to create a reserve from which dividend payments could be paid under Guernsey company law prevailing at that time. However, The Companies (Guernsey) Law, 2008 became effective from 1 July 2008. Under this law, dividends may now be paid from any source, provided that a company satisfies the relevant solvency tests and the directors make the appropriate solvency declaration.

The net unrealised fair value movements on available-for-sale securities reserve represents the difference between the fair value of available-for-sale securities and their amortised cost.

22. 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:

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 further 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).

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company's strategy for the management of market risk is driven by its investment objective to preserve capital and to provide a stable stream of income to its shareholders through dividends by investing in a variety of assets selected for the purpose of generating overall stable and predictable cash flows. The Company's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Company intends to mitigate market risk generally by pursuing a multi-asset class investment strategy involving direct and indirect investments in a number of asset classes that naturally tend to involve a diversification of underlying market risk. The Company generally intends to structure synthetic investment exposures so as to mitigate credit exposure to its counterparties. The Company's market positions are monitored on a quarterly basis by the Board of Directors. The Company uses derivatives to manage its exposure to foreign currency, interest rate and equity market risks. The instruments used include interest rate swaps, forward contracts, futures and options. The Company does not apply hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

22. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date.

Where a financial asset involves an arranging bank, or another market participant, that provides valuations on a monthly basis, 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. Such valuations generally involve subjective judgements on key model inputs, particularly default and recovery rates, and may not be uniform. In the case of some of these assets, banks and other market participants are currently unwilling to disclose either the key model inputs or the discount rates that have been used to produce such valuations. In such circumstances, the valuation continues to be sourced from such arranging bank, or other market participant, despite the lack of valuation assumptions.

Where a financial asset does not involve an arranging bank, or if an arranging bank is unwilling to provide valuations, the Investment Manager will provide a monthly valuation based on a pricing model or through comparable asset prices.

The Company adopted the amendment to IFRS 7, effective 1 August 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The quoted price for these instruments is not adjusted;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses, within the fair value hierarchy, the Company's financial assets and liabilities (by class) measured at fair value at 31 July 2010:

	Level 1 €	Level 2 €	Level 3 €	Total €
Available-for-sale securities:				
– equity securities	—	10,214,853	—	10,214,853
– debt securities	—	3,000,743	71,044,074	74,044,817
Financial assets at fair value through profit or loss:				
– debt securities	—	—	8,134,604	8,134,604
	—	13,215,596	79,178,678	92,394,274
Financial liabilities at fair value through profit or loss:	—	—	—	—
– options and open foreign exchange contracts	—	(1,908,716)	—	(1,908,716)
	—	(1,908,716)	—	(1,908,716)

The majority of the Company's investments are classified within level 3 as they have significant unobservable inputs, and they trade infrequently. As observable prices are not available for these securities, the Company has used valuation techniques (Note 4) to derive their fair value.

Two of the assets are included within level 2 because they are quoted on Bloomberg but not actively traded on a daily/regular basis. A third asset is included within level 2 because its NAV is reported and calculated on a monthly basis.

Options and open foreign exchange contracts are included in level 2 as their prices are not publicly available but are derived from underlying assets or elements that are publicly available.

22. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION CONTINUED

Financial assets at fair value through profit or loss continued

The following table represents the movement in level 3 instruments for the year ended 31 July 2010 by class of financial instrument:

	Debt securities		
As at 31 July 2010	Available-for-sale securities €	Financial assets at fair value through profit or loss €	Total €
Opening balance	14,962,630	6,975,253	21,937,883
Purchases	39,285,721	—	39,285,721
Sale	(12,726,771)	—	(12,726,771)
Interest coupons received	(12,934,504)	(2,607,439)	(15,541,943)
Total gains and losses recognised in the Income Statement			
Effective interest income recognised	10,042,919	2,955,619	12,998,538
Reversal of impairments previously recognised	24,184,776	—	24,184,776
Unrealised foreign exchange gain	2,432,197	—	2,432,197
Realised gain on investments	986,678	—	986,678
Unrealised gain on financial assets at fair value through profit or loss	—	811,171	811,171
Closing balance	**66,233,646**	**8,134,604**	**74,368,250**
Total gains or losses for the year included in the statement of comprehensive income for assets held at the end of the year	4,810,428	—	4,810,428
	71,044,074	**8,134,604**	**79,178,678**

SENSITIVITY ANALYSIS

In the opinion of the Directors, and as of 31 July 2010, the following analysis gives an approximation of the sensitivity of the different asset classes to market risk that seems reasonable considering the current market environment and the nature of the Company's assets main underlying risks.

This sensitivity analysis presents an approximation of the potential effects of events that could have been reasonably expected to occur as at the reporting date.

The sensitivity of the fair values of most of the assets held by the Company to the traditional risk variables are not the most relevant in the current environment. For example, the sensitivity to interest rates is inter-dependent with other market variables.

The present analysis reflects the sensitivity to some of the most relevant determinants of the risks associated with each asset class.

Whilst every effort has been made to assess the pertinent risk factors, there is no assurance that all the risk factors have been considered. Other risk factors could become large determinants of the fair value.

Available-for-sale debt securities

AFS debts securities includes ABS positions, Corporate Credit assets and CDO assets

The main determinant of the risks associated with the ABS positions held by the Company is the level of credit losses on the underlying collateral. Considering the losses observed over the past financial year, the Directors believe it is reasonable to test an increase and a decrease of 25% in the expected annual losses of the underlying portfolio relative to the expected losses used to value the assets, as of the end of July 2010. If the expected losses on the ABS assets underlying portfolio were to increase, respectively decrease, by 25%, the fair value of these assets would decrease, respectively increase, by 4.6% and the Company's NAV would decrease, respectively increase, by approximately €0.4 million.

The Corporate Credit assets held by the Company are first loss or junior second loss exposures to diversified portfolios of investment grade and sub-investment grade Corporate Credits. One of the main determinants of the risks associated with these assets is the occurrence of defaults in the underlying portfolio. The Directors believe it is reasonable to test the sensitivity of these assets to a change in the occurrence of defaults for the year, keeping the expected future losses unchanged for the following years.

The test has been calibrated as an amount equivalent to one year of expected defaults, measured by the Weighted Average Rating Factors of the underlying portfolio. The fair value of theses assets would be almost unchanged and the Company's NAV would decrease, respectively increase, by approximately €100 if defaults for the first year increase, respectively decrease, by such amount. This low sensitivity is due to the seniority of these positions relative to losses that could occurred in the underlying portfolio and for one asset being a first loss position from its already very low valuation.

The CDO assets held by the Company are either residual tranches or mezzanine tranches of CLOs. One of the main determinants of the risks associated with these assets is the occurrence of defaults in the underlying portfolio. The Directors believe it is reasonable to test the sensitivity of these assets to an increase and a decrease in the occurrence of defaults for the year, keeping the expected future losses unchanged for the following years.

The test has been calibrated as an amount equivalent to one year of expected defaults, measured by the Weighted Average Rating Factors of the underlying portfolio.

The fair value of the residual tranches of CLOs would decrease, respectively increase, by 19% and 15.5% and the Company's NAV would decrease by approximately €5.9 million, respectively increase by approximately €4.7 million, if defaults for the year increase, respectively decrease, by such amount.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

22. FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS CONTINUED

Available-for-sale debt securities continued

AFS debts securities includes ABS positions, Corporate Credit assets and CDO assets continued

The fair value of the mezzanine tranches of CLOs would decrease by 1.1%, respectively increase by 1.6%, and the Company's NAV would decrease by approximately €0.4 million, respectively increase by approximately €0.6 million, if defaults for the year increase, respectively decrease, by such amount.

Available-for-sale equity securities

Available-for-sale equity securities are made up of a single residual tranche CDO asset, namely Tennenbaum Opportunities Funds V. One of the main determinants of the risks associated with this asset type is the occurrence of defaults in the underlying portfolio. The Directors believe it is reasonable to test the sensitivity of this asset to an increase and a decrease of defaults for the year keeping the expected future losses unchanged for the following years.

The test has been calibrated as an amount equivalent to one year of expected defaults, measured by the Weighted Average Rating Factors of the underlying portfolio.

The fair value of this asset would decrease, respectively increase, by 1.7% and the Company's NAV would decrease, respectively increase, by approximately €0.2 million if defaults for the first year increase, respectively decrease, by such amount.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are made up of a single Corporate Credit assets being the ARIA CDO III. One of the main determinants of the risks associated with this asset is the occurrence of defaults in the underlying portfolio. The Directors believe it is reasonable to test the sensitivity of these assets to an increase and a decrease in the occurrence of defaults for the year keeping the expected future losses unchanged for the following year.

The test has been calibrated as an amount equivalent to one year of expected defaults, measured by the Weighted Average Rating Factors of the underlying portfolio. If the fair value of this asset decreased, respectively increased, by 12.1% then the Company's NAV would decrease, respectively increase, by approximately €1.1 million if defaults for the first year increase, respectively decrease, by such amount.

As regards the mark-to-market spread of the underlying portfolio, the test has been calibrated to an increase and a decrease by approximately one-sixth of the spreads of the underlying portfolio. This test is only adequate for ARIA CDO III asset and the fair value would decrease by 5.7%, respectively increase by 4.5%, and the Company's NAV would therefore decrease by approximately €0.5 million, respectively increase by approximately €0.4 million, if spreads of the underlying portfolio assets increase, respectively decrease, by such proportion.

INTEREST RATE RISK

To the extent the Company incurs indebtedness, 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 risk is analysed by the Investment Manager on a daily basis and is communicated and monitored by the Board through the quarterly business report on a quarterly basis.

The table overleaf summarises the effective interest rates applicable to the Company's interest bearing financial assets and financial liabilities as at the end of the period. The effective interest rates presented for the Company's investments have been determined from modelled expected future cash flows and should therefore not be considered to represent the actual coupon rates receivable.

22. FINANCIAL RISK MANAGEMENT CONTINUED
INTEREST RATE RISK CONTINUED
Interest rate profile as at 31 July 2010

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
EUR deposit accounts	Floating	Eonia – 25bp	2,931,826
USD deposit accounts	Floating	Libor USD Overnight – 25bp	2,195,751
GBP deposit accounts	Floating	SONIA Overnight – 40bp	437,894
			5,565,471
Available-for-sale securities:			
AFS (denominated in EUR)	Fixed/Floating	16.98%	32,050,849
AFS (denominated in USD)	Fixed/Floating	19.27%	52,208,227
AFS (denominated in GBP)	Fixed/Floating	20.00%	594
			84,259,670
Financial assets at fair value through profit or loss (EUR)	Floating	Six month Euribor + 15.50%	8,134,604
Trade and other receivables	Non-interest bearing	N/A	3,487,668
Derivative contracts	Non-interest bearing	N/A	—
			11,622,272
			101,447,413
Financial liabilities			
Trade and other payables	Non-interest bearing	N/A	(956,462)
Derivative contracts	Non-interest bearing	N/A	(1,908,716)
			(2,865,178)

Interest rate profile as at 31 July 2009

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
EUR deposit accounts	Floating	Eonia – 25bp	24,993,627
USD deposit accounts	Floating	Libor USD Overnight – 25bp	1,580,679
GBP deposit accounts	Floating	SONIA Overnight – 40bp	1,098,226
			27,672,532
Available-for-sale securities:			
AFS (denominated in EUR)	Fixed	13.29%	9,497,961
AFS (denominated in USD)	Fixed	13.89%	12,622,884
AFS (denominated in GBP)	Fixed	14.68%	99,502
			22,220,347
Financial assets at fair value through profit or loss (EUR)	Floating	Six month Euribor + 13.88%	6,975,253
Trade and other receivables	Non-interest bearing	N/A	2,256,140
Derivative contracts	Non-interest bearing	N/A	—
			9,231,393
			59,124,272
Financial liabilities			
Trade and other payables	Non-interest bearing	N/A	(676,244)
Derivative contracts			(13,619)
			(689,863)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

22. FINANCIAL RISK MANAGEMENT CONTINUED

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 British 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 or is in the best interest of the Company considering the liquidity risk that is attached to any derivative contracts that could be used (e.g. margin calls on those contracts). As at the end of July 2010, the Investment Manager has put in place arrangements to hedge into euro its US dollar exposure associated with the US dollar-denominated assets. In order to reduce the risk of having to post a potentially unlimited amount of cash with respect to forward EUR/USD foreign exchange swaps, the Investment Manager has capped and floored those amounts using short to mid-term options. Consequently, there is no guarantee that hedging the currency exposure generated by US dollar assets can continue to be performed in the future if volatility in the USD/EUR cross rate is very high.

The exposure associated with the British pound sterling denominated residuals of asset-backed securities is unhedged as at the end of July 2010 given the limited amount that is considered.

Currency risk is analysed by the Investment Manager on a daily basis and is communicated and monitored by the Board through the quarterly business report on a quarterly basis.

Currency risk profile as at 31 July 2010

	Denominated in Euro €	Denominated in USD €	Denominated in GBP €
Investments			
Available-for-sale debt securities	32,050,849	41,993,374	594
Financial assets at fair value through profit or loss	8,134,604	—	—
Available-for-sale equity securities	—	10,214,853	—
	40,185,453	**52,208,227**	**594**
Cash and cash equivalents	2,931,826	2,195,751	437,894
Trade and other receivables	2,542,962	937,388	7,318
Trade and other payables	1,296,758	(2,206,802)	(46,418)
Derivative contracts	(1,908,716)	—	—
	45,048,283	**53,134,564**	**399,388**

The following foreign exchange swaps and options were unsettled as at 31 July 2010:

Amount bought €	Amount sold currency	Number of positions	Unrealised gain €
€100,694,320	USD143,500,000	30	(1,908,716)

Currency risk profile as at 31 July 2009

	Denominated in Euro €	Denominated in USD €	Denominated in GBP €
Investments			
Available-for-sale debt securities	9,497,961	5,365,167	99,502
Financial assets at fair value through profit or loss	6,975,253	—	—
Available-for-sale equity securities	—	7,257,717	—
	16,473,214	12,622,884	99,502
Cash and cash equivalents	24,993,627	1,580,679	1,098,226
Trade and other receivables	2,035,332	212,366	8,442
Trade and other payables	(580,450)	—	(95,794)
Derivative contracts	1,547,956	(1,561,575)	—
	44,469,679	12,854,354	1,110,376

The following foreign exchange swaps and options were unsettled as at 31 July 2009:

Amount bought €	Amount sold currency	Number of positions	Unrealised gain €
36,623,972	USD51,500,000	19	(13,619)

22. FINANCIAL RISK MANAGEMENT CONTINUED

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. The Company could also face some difficulties when collecting reliable information about the value of its assets if all or part of the contributors for such information were to experience significant business difficulties or were to suspend relative market activities. This could affect the timing and determination process when assessing the value of the Company's investment.

Although the Company and its agents are able to refer to reported over-the-counter trading prices and prices from brokers when valuing its investments, for most investments 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.

If the Company was unable to collect reliable information about the value of its assets the Investment Manager has agreed to provide a monthly valuation based on pricing models. The Company will use reasonable endeavours to engage an independent third party to review semi-annually the main assumptions employed by the Investment Manager and to report the fairness and reasonableness of those assumptions and valuations to the Portfolio Administrator and the Company.

CREDIT RISK (INCLUDING COUNTERPARTY RISK)

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

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. This relates also to financial assets carried at amortised cost, as they have a short term to maturity.

At the reporting date, the Company's financial assets exposed to credit risk are available-for-sale securities, financial assets at fair value through profit or loss, open foreign exchange contracts and cash and cash equivalents.

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 diversifying credit risk by pursuing investment on asset that are expected to generate cash flows from underlying portfolio's having at the time of purchase, in aggregate, diverse characteristics like low historical default rates and/or high expected recovery rates in the event of default and/or significant granularity.

The Company may invest 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.

Substantially all of the cash held by the Company is held by Deutsche Bank AG, London Branch ("Deutsche Bank"). Bankruptcy or insolvency by Deutsche Bank may cause the Company's rights with respect to the cash held by Deutsche Bank to be delayed or limited. The Company monitors its risk by monitoring the credit rating of Deutsche Bank, as reported by Standard and Poor's, Moody's or Fitch and analyses any information that could imply deterioration in Deutsche Bank's financial position.

Other counterparties to the Company's investments are as presented in tables 2, 3, 4 and 5 within the Investment Manager's Report.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2010

22. FINANCIAL RISK MANAGEMENT CONTINUED

CONCENTRATION RISK

The Company may be exposed at any given time to any one Corporate Credit, counterparty, 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 monitors the concentration of its portfolio and from time to time, as long as market liquidity permits to do so, might rebalance its investment portfolio accordingly, although there can be no assurance that it will succeed.

Indeed, considering the fact that assets are purchased in order to generate cash flows on a long-term horizon and that most of the Company's assets are significantly illiquid, the difference in market and credit performances of the various assets bought by the Company combined to increase the concentration of the portfolio.

In such a stressed situation, characterised by high volatility in the value of the Company's assets and/or significant changes in the market expectation of default rates, the ability of the Company to mitigate its concentration risk could be significantly affected for liquidity reasons.

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. Most of the assets in which the Company invests are illiquid. Changes in market sentiment may make significant portions of the Company's investment portfolio rapidly more illiquid, particularly with regard to types of assets for which there is not a broad well-established trading market or for which such a market is linked to a fewer number of market participants. 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 assets in the Company's portfolio, but selling assets may in some circumstances be significantly disadvantageous for the Company or even almost impossible if liquidity were to disappear for the Company's assets.

Liquidity risk is analysed by the Investment Manager on a daily basis and is communicated and monitored by the Board through the quarterly business report on a quarterly basis. This is demonstrated by the Investment Manager's decision to invest in several short-term European ABS assets in order to enhance cash management. A decision was also made to sell assets to improve the Company's capability to generate cash flows to diminish the risk that adverse scenarios could negatively affect liquidity.

MATURITY PROFILE

The following tables 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 July 2010

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	**5,565,471**	**—**	**—**
Available-for-sale securities	**1,993,666**	**16,295,141**	**65,970,863**
Financial assets at fair value through profit and loss	**—**	**8,134,604**	**—**
Trade and other receivables	**3,487,668**	**—**	**—**
	11,046,805	**24,429,745**	**65,970,863**
Financial liabilities			
Derivative contracts	**(1,321,140)**	**(587,576)**	**—**
Trade and other payables	**(956,462)**	**—**	**—**
	(2,277,602)	**(587,576)**	**—**

Maturity profile as at 31 July 2009

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	27,672,532	—	—
Available-for-sale securities	2,851,718	—	19,368,629
Financial assets at fair value through profit and loss	—	6,975,253	—
Trade and other receivables	2,256,140	—	—
	32,780,390	6,975,253	19,368,629
Financial liabilities			
Derivative contracts	1,905,172	(1,918,791)	—
Trade and other payables	(676,244)	—	—
	1,228,928	(1,918,791)	—

22. FINANCIAL RISK MANAGEMENT CONTINUED

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.

CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the Ordinary Shares, Share Premium Account, Other Distributable Reserves and Accumulated Loss Reserve. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives, both of which are detailed in the Investment Manager's Report and Corporate Summary Report. The Board of Directors also monitors the level of dividends to Ordinary Shareholders.

There were no changes in the Company's approach to capital management during the year.

23. RELATED PARTY DISCLOSURE

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER

For disclosure of Directors' remuneration, please see Note 8. As at the period end, Directors' fees to be paid in cash of €51,800 (2009: €79,549) had been accrued but not paid. Directors' fees to be paid in shares of €22,200 (2009: €34,092) had been accrued but not paid and Directors' expenses of €Nil (2009: €Nil) had been accrued but not paid.

As at 31 July 2010, the Directors of the Company controlled 1.02% (2009: 0.71%) 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 NAV 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.

During the period the management fees accrued were €933,662 (2009: €1,329,830). Fees accrued outstanding as at 31 July 2010 were €565,660 (2009: €329,377).

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 interim period ending 31 July and 31 January. The incentive fee is dependent on the Company's performance. During the financial year there were no incentive fees accrued.

As stated in the Investment Manager's Report, the Investment Manager also acts as Investment Manager for four of the Company's investments (ARIA II, ARIA III, Jazz III and Adagio III), earning Investment Management fees for so doing directly from these investment vehicles.

However, with respect to ARIA II, ARIA III and Jazz III, there is no duplication of Investment Management fees as adjustment for these investments is made in the calculation of the Investment Management fees payable by the Company.

The investment in Adagio III was made by way of a secondary market purchase on a bona fide arm's length basis from a party unaffiliated with the Investment Manager. Therefore, the Company pays Investment Management fees with respect to this investment calculated in the same way as if the investment manager of Adagio III was an independent third party.

24. COMMITMENTS

As at 31 July 2010 the Company had no outstanding commitments linked to previous investments.

25. POST BALANCE SHEET EVENTS

Since the end of the annual period ended 31 July 2010, credit markets have continued to be volatile, credit events have continued to occur, mostly in the high yield area, at a pace that is comparable to the one observed in the last few months of the interim period, and the prices of assets held by the Company have increased.

The end of September 2010 GAV of the Company has increased to €107.4 million from €99.2 million at the end of July 2010.

Since the end of the financial year and up until the end of September, the Company has purchased nine new investments for a total of €8.3 million.

CORPORATE CREDIT

No credit events have occurred within the Company's portfolio subsequent to the period end and the financial situation of the positions held by the Company in this category is unchanged relative to the one described in the Investment Manager's Report.

ABS

No material events have occurred subsequent to the period end and the financial situation of the positions held by the Company in this category is unchanged relative to that described in the Investment Manager's Report.

CDO

No material events have occurred subsequent to the period end and the financial situation of the positions held by the Company in this category is unchanged relative to that described in the Investment Manager's Report.

DISTRIBUTION INCOME CALCULATION (UNAUDITED)

FOR THE YEAR ENDED 31 JULY 2010

Distribution Income is a non-IFRS financial measure that was devised at the Company's inception to express the Company's intentions with respect to the distribution of dividends. Other companies may define Distribution Income or similar terms differently. It should be noted that the Company has since moved away from using Distribution Income as a guide to dividend policy, as explained elsewhere in this report.

The calculation of Distribution Income for the year is set out below. The full definition of Distribution Income, as used by the Company, together with certain related information, is reproduced below for ease of reference.

CALCULATION

	1 August 2009 to 31 July 2010 €	1 August 2008 to 31 July 2009 €
Net IFRS profit/(loss) per the Income Statement	**39,816,618**	(97,713,636)
(Less)/add: impairment (reversal)/losses on available-for-sale securities per the Income Statement	**(24,184,776)**	58,532,246
Add/(less): impairment reversal/(losses) on available-for-sale securities for the purpose of determining the Distribution Income	**39,561,640**	(141,996,423)
Add: reclassification of AFS unrealised loss previously recognised in equity	**268,869**	—
Less: net realised gains on available-for-sale securities per the Income Statement	**(1,329,005)**	—
(Less)/add: net unrealised (gains)/losses on financial assets at fair value through profit or loss per the Income Statement	**(811,171)**	55,602,010
(Less)/add: foreign exchange (gains)/losses, net of hedging gains/(losses), for the purpose of determining the Distribution Income	**(1,462,976)**	47,232
Distribution Income	**51,859,199**	(125,528,571)

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 decided at the Company's inception 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: (a) 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 (b) 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 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 "Objectives" above or other transactions achieving the same purpose.

DEFINITION CONTINUED

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 interim and annual financial statements a calculation of Distribution Income, which will take into account: (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 July 2010, 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 interim or annual report.

SEMI-ANNUAL INCOME STATEMENT ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED 31 JULY 2010

	1 February 2010 to 31 July 2010 €	1 August 2009 to 31 January 2010 €	1 August 2009 to 31 July 2010 €
OPERATING INCOME			
Deposit interest income	**1,428**	8,030	9,458
Effective interest income on available-for-sale securities and investments at fair value through profit or loss	**8,154,018**	6,999,684	15,153,702
Net income on settlement of forward foreign exchange contracts	**(826,633)**	105,410	(721,223)
	7,328,813	7,113,124	14,441,937
OPERATING EXPENDITURE			
Legal fees	**(15,552)**	(11,412)	(26,964)
Audit fees	**(143,880)**	(140,038)	(283,918)
Investment management fees	**(565,660)**	(368,002)	(933,662)
Custodian fees	**(12,408)**	(15,971)	(28,379)
Company secretarial, administration and accountancy fees	**(148,305)**	(152,591)	(300,896)
Directors' remuneration	**(187,868)**	(171,538)	(359,406)
Insurance	**(42,150)**	(81,181)	(123,331)
Other operating expenses	**(34,975)**	(52,844)	(87,819)
	(1,150,798)	(993,577)	(2,144,375)
OPERATING PROFIT	**6,178,015**	6,119,547	12,297,562
REALISED AND UNREALISED PROFITS/LOSSES			
Unrealised loss on forward foreign exchange contracts	**(902,532)**	(992,565)	(1,895,097)
Unrealised (loss)/gain on financial assets at fair value through profit or loss	**(600,949)**	1,412,120	811,171
Unrealised foreign exchange gain on available-for-sale debt securities	**2,078,618**	842,112	2,920,730
Provision for impairments on available-for-sale debt securities	**11,120,399**	13,064,377	24,184,776
Reclassification of AFS unrealised loss previously recognised in equity	**(268,872)**	—	(268,872)
Net foreign exchange gain on other assets	**409,280**	28,063	437,343
Realised gain on investments	**992,159**	336,846	1,329,005
	12,828,103	14,690,953	27,519,056
PROFIT FOR THE PERIOD	**19,006,118**	20,810,500	39,816,618

NOTICE OF MEETING

VOLTA FINANCE LIMITED

A closed-ended limited liability company registered in Guernsey under The Companies (Guernsey) Law, 2008 with registered number 45747, and registered with the Netherlands Authority for the Financial Markets pursuant to Section 1:107 of the Dutch Financial Markets Supervision Act (the "Company").

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING OF THE COMPANY

In accordance with the Company's Articles of Incorporation, notice is hereby given that the fourth Annual General Meeting of the Company will be held at the Company's registered office, First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 6HJ, Channel Islands, at 10.00am (London time) on 13 December 2010.

The Directors of the Company wish to notify shareholders of the following:

- Peter Crook resigned as Chairman of the Board of Directors on 30 April 2010; and
- The Directors of the Company accepted a temporary 10% reduction to their remuneration until the conclusion of the fifth AGM of the Company.

The Chairman is to receive an annual fee of €108,000. Each of the other Directors is to receive an annual fee of €54,000, in each case payable quarterly in equal instalments in arrears, plus in the case of the other Directors an additional fee of €9,000 per meeting for each of the first four meetings of the Board attended in person by such Director in any calendar year. Each Director is to receive 30% of his or her Director's fee in respect of any year in the form of newly issued ordinary shares at a share price equal to the average per share closing price of the Company's ordinary shares on Euronext Amsterdam over the 60 consecutive Euronext Amsterdam trading days preceding the date of issuance of the relevant shares. The Directors are obliged to retain those shares for a period of no less than six months from the respective date of issuance.

AGENDA

ORDINARY BUSINESS

1. To adopt the audited financial statements of the Company for the year ended 31 July 2010, including the Reports of the Directors and the Auditors (the "Accounts").
2. To reappoint KPMG Channel Islands Limited of 20 New Street, St Peter Port, Guernsey as the Company's Auditors to hold office until the conclusion of the next Annual General Meeting.
3. To authorise the Board to negotiate and fix the remuneration of the Auditors in respect of the year ending 31 July 2011.
4. To re-elect Paul Varotsis as an Independent Director of the Company for a term of three years.
5. To re-elect James Gilligan as Chairman of the Board of Directors of the Company for an initial term of three years.
6. To approve a final dividend for the period ended 31 July 2010 in respect of the Company's ordinary shares of €0.16 per share, with an ex dividend date of 15 December 2010, a record date of 17 December 2010 and a payment date of 12 January 2011.
7. To approve a proposal by the Board that Volta shareholders may in accordance with Article 29.(18)* of the Company's Memorandum and Articles of Association elect to receive the final dividend for the period ended 31 July 2010 either in cash or Volta shares**.

* Article 29. (18) states as follows: Subject to the Laws, the Board may, if authorised by an ordinary resolution, offer those Members of a particular class of shares in respect of any dividend the right to receive shares by way of a scrip dividend instead of cash.

** The conversion price will be computed as the Volume Weighted Average Price ("VWARP") of the Company's shares during the four weeks preceding the AGM minus the €0.16 dividend.

NOTICE OF MEETING CONTINUED

NOTES

1. The Company's 2010 annual report and accounts will be published on 29 October 2010.
2. Copies of the Company's Memorandum and Articles of Association and its 2010 Annual Report and accounts are available for inspection at the Company's registered office during normal business hours and are available on request free of charge from the Company Secretary, State Street (Guernsey) Limited, First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 6HJ, Channel Islands (e-mail: volta.finance@mourant.com) and from the Listing Agent, ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands or from the Company's website (www.voltafinance.com).
3. Investors holding ordinary shares via an admitted institution of Euroclear Nederland who wish to attend or to exercise the voting rights attached to the shares at the AGM should contact their admitted institution as soon as possible. Only those investors holding ordinary shares via an admitted institution of Euroclear Nederland as at 5.00pm (London time) on 10 December 2010 shall be entitled to attend and/or exercise their voting rights attached to such shares at the AGM.
4. Should the Class B shareholders being entitled to vote wish to attend or exercise the voting rights attached to the shares at the AGM they should contact the Company Secretary as soon as possible.
5. All shareholders maintain the right to elect a proxy to vote on their behalf at the AGM.
6. The quorum requirements for the conduct of Ordinary Business are set out under Article 16(2) of the Company's Articles of Association, and the quorum requirements for the conduct of Special Business are set out under Articles 16(3)–(7). The consideration of Special Business requires a larger quorum than for Ordinary Business. In the event that there exists at the commencement of the AGM a quorum for Ordinary Business but no quorum for Special Business this situation shall not impede the AGM from proceeding to consider the Ordinary Business on its own and passing such resolutions arising there from. The progression of Special Business thereafter shall be dealt with on its own and in accordance with Articles 16(3)–(7).

7 Due to amendments to Dutch regulatory requirements the notice period for an AGM of the Company is now 42 days.

For and on behalf of

STATE STREET (GUERNSEY) LIMITED
COMPANY SECRETARY
18 OCTOBER 2010

designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

VOLTA FINANCE LIMITED
First Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 6HJ
Channel Islands

Tel: +44 (0)1481 749610
E-mail: volta.finance@mourant.com
Web: www.voltafinance.com