VOLTA FINANCE LIMITED

ANNUAL REPORT AND ACCOUNTS 2017

VOLTA FINANCE LIMITED (THE "COMPANY" OR "VOLTA") IS A CLOSED-ENDED LIMITED LIABILITY INVESTMENT COMPANY THAT PURSUES A DIVERSIFIED INVESTMENT STRATEGY ACROSS STRUCTURED FINANCE ASSETS.

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FORWARD-LOOKING STATEMENTS

This 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 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 operations, 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 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 any 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 report. Subject to its legal and regulatory obligations (including under the rules of Euronext Amsterdam, the UK Listing Authority and the London Stock Exchange) 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. Please keep these cautionary statements in mind while reading this report.

VOLTA AT A GLANCE

THE INVESTMENT OBJECTIVES OF VOLTA ARE TO PRESERVE ITS CAPITAL ACROSS THE CREDIT CYCLE AND TO PROVIDE A STABLE STREAM OF INCOME TO ITS SHAREHOLDERS THROUGH DIVIDENDS THAT IT EXPECTS TO DISTRIBUTE ON A QUARTERLY BASIS. VOLTA SEEKS TO ACHIEVE ITS INVESTMENT OBJECTIVES BY PURSUING A DIVERSIFIED INVESTMENT STRATEGY ACROSS STRUCTURED FINANCE ASSETS. VOLTA MEASURES AND REPORTS ITS PERFORMANCE IN EURO.

13.6%
NAV performance per Share (with dividends re-invested at NAV) for the twelve months to 31 July 2017[1]

18.7%
Share price performance (dividends re-invested) for the twelve months to 31 July 2017[1]

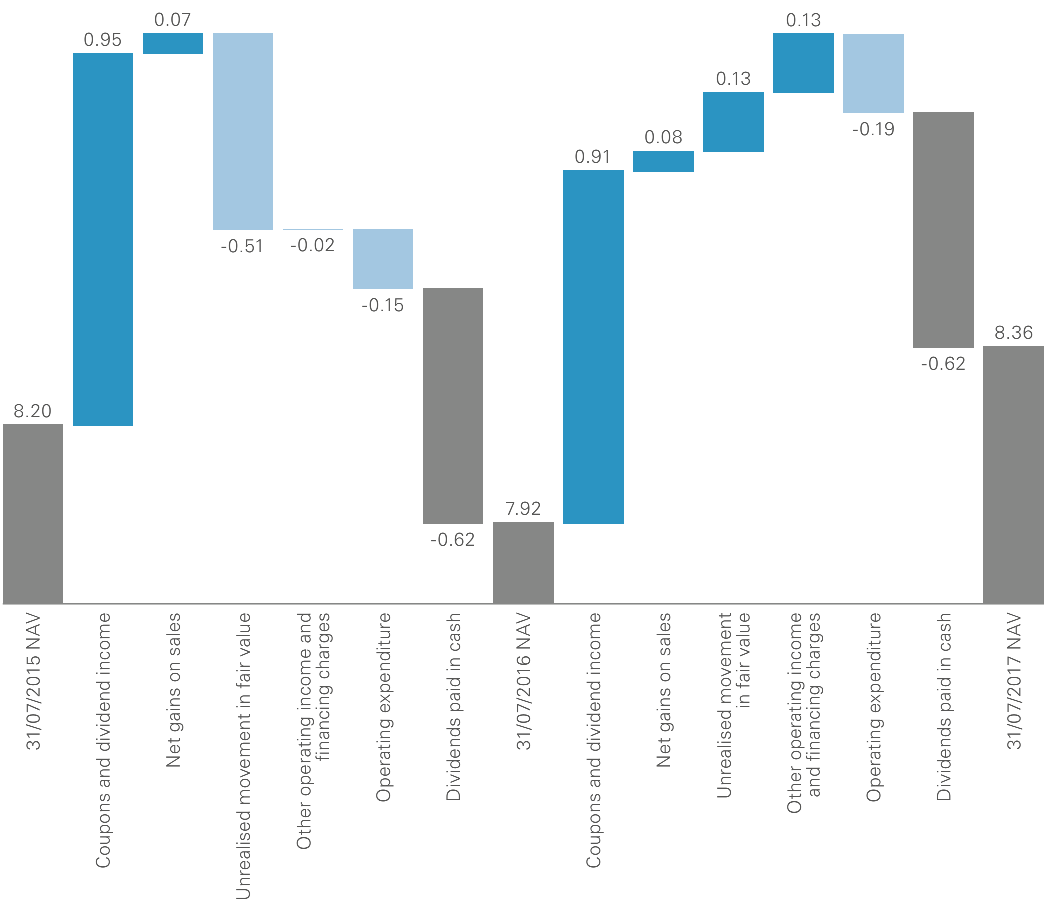
11.8%
Annualised share price performance (dividends re-invested) from inception to 31 July 2017[1]

10.8%
Projected portfolio IRR (under standard AXA IM scenarios, including the gearing effect of the Repo)[1]

8.3%
Dividend yield for the twelve months ended 31 July 2017 based on the share price as at 31 July 2017[1]

10.8%
Discount between share price and NAV per share as at 31 July 2017[1]

NAV PERFORMANCE ANALYSIS FOR THE YEARS ENDED 31 JULY 2017 AND 31 JULY 2016 – CONTRIBUTIONS TO NAV CHANGE (EUROS PER SHARE)



1 Please see the glossary on pages 62 and 63 for an explanation of the terms used above and elsewhere within this report.

CHAIRMAN'S STATEMENT

Dear Shareholder

I am pleased to be able to report another period of excellent performance from our Company. During the financial year, the net asset value per share (dividends re-invested) rose by 13.6%. The share price performance was even stronger, generating a total return of 18.7% as the discount to NAV narrowed. This period of excellent performance builds upon the Company's long-term track record; since inception in 2006 total Shareholder returns have been 227.5%, representing 11.8% per annum.

The overall economic backdrop proved increasingly benign over the last year as global growth began to become more synchronised for the first time since the financial crisis, some ten years ago. There is also a sense that growth is more self-sustaining than previously, albeit underpinned by exceptionally accommodative monetary policy. So it is, with hindsight, unsurprising that markets generally have prospered, including the credit markets in which Volta invests.

The political backdrop has been generally less favourable and future shifts in regulation may also be less benign. With most asset classes looking expensive in a historical context and a likely reduction in monetary policy accommodation, this must give pause for thought about returns in the near term.

Set against this scene, Volta's asset-class diversification and the nimble opportunism of our Investment Manager look increasingly important. Volta has always been a high risk investment and if markets were to fall sharply it cannot be immune. But its sources of return are extremely varied relative to most peers and the underlying cash flows are robust. Ultimately, it is these cash flows that drive Shareholder returns, not the vagaries of "mark to market" of the various securities held. These cash flows continue fully to support the high dividend yield of well over 8% on the share price. The IRRs modelled by the Investment Manager suggest that, over time, this dividend yield should be accompanied by modest capital appreciation. So whilst some caution may be warranted in the short term, Volta should continue to deliver attractive returns in the long term.

As more fully detailed in their report starting on page 4, our Investment Manager, AXA IM Paris, has been taking a more defensive stance in recent months by both allowing cash to build up and retaining positions higher in the capital structure, with some leverage, rather than chasing yield. They have also been seeking to position the portfolio towards newer opportunities that offer more attractive risk-adjusted returns than mainstream structured credit.

These include investments in Warehouses and, more recently, in a Capitalised Manager Vehicle. These holdings offer lower liquidity than, say, CLO debt tranches. However, their projected return profile more than compensates for this lower liquidity and Volta's overall portfolio is able to accommodate a portion of less liquid assets. The Risk Committee, now chaired by Graham Harrison, and the Board monitor liquidity regularly alongside a range of other metrics to oversee the overall orientation of the portfolio.

As we announced on 2 October 2017, the Investment Manager has agreed to amend their fee arrangements to simplify and tier the fee basis, commencing with the new financial year. The new Performance Fee basis of 20% of gains over an 8% net return in any financial year, paired with a high water mark, should assist with transparency for Shareholders versus the previous fee basis. The Board welcomes this and the new Management Fee arrangements whereby net assets in excess of €300 million are now subject to a fee of 1.0% per annum, down from 1.5% previously. As well as having a modest impact already, this tiered Management Fee will mean that any growth or new equity capital invested in the Company should benefit all Shareholders with a lower total expense ratio. Our ambition remains to grow the assets of the Company when the time is right. In order to achieve that, the discount to NAV needs to close, which in turn requires AXA IM, the Board and Cenkos to spread the word more widely. This has been happening and will continue to be a primary objective in the coming year. There is already some evidence of success, with the discount to NAV at the year end around 10%.

As I reported in my last Chairman's statement, Joan Musselbrook had indicated her intention to step aside as a Director this summer after over ten years' service on the Board. Joan resigned on 20 June 2017. I know that all the other Directors wish to join me in thanking Joan for her hard work, cool head and attention to detail during that time.

Joan had very specific asset-class experience and the Board was keen to retain this degree of specialist knowledge. We are, therefore, delighted to welcome Atosa Moini as a Director. Atosa was a partner at Goldman Sachs until the autumn of 2016 where she was most recently Head of Origination and Distribution of Asset-backed Products and Loans in EMEA. Therefore, she brings a deep understanding of the asset class and its complexities.

With the appointment of Atosa in June, the Board has undergone considerable refreshment, with four new Directors in less than four years. I am keen, therefore, to ensure there is now a period of stability and welcome the fact that Paul Varotsis has indicated that he is willing to remain as a Director for the foreseeable future. Paul has been a Director since inception in 2006 and this long-term perspective, combined with his deep practical understanding of the assets in which the Company invests is invaluable. I see no evidence whatsoever that his tenure of more than ten years has weakened his independence; further, the Nomination Committee considers him fully independent. If market conditions are, indeed, to become choppier, Paul's knowledge, insight and wise counsel will be more valuable than ever.

In looking forward, although some caution is warranted over the short-term outlook for markets, Volta's credentials remain strong. With a diversified approach and the ability to allocate opportunistically across a broad range of credit assets, I believe that the Company warrants a place in a wide range of portfolio strategies. We will be active in spreading that message in the coming year which we hope will lay the ground for the discount to narrow towards parity, further enhancing Shareholder value.

I look forward to being able to report on our progress when I write to you early next year.

PAUL MEADER
CHAIRMAN
19 OCTOBER 2017

INVESTMENT MANAGER'S REPORT

At the invitation of the Board, this commentary has been provided by AXA IM as Investment Manager of Volta. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent financial advice and may not rely on this communication in evaluating the merits of investing in the Company. The commentary is provided as a source of information for Shareholders of the Company but is not attributable to the Company.

Important note: Past performance is not an indication, prediction or guarantee of future performance. The historical investment results described in this report are not an indicator of future investment results, which may significantly differ and be lower.

Any expected return provided in this report (such as any projected yield on any Underlying Asset or the portfolio of the Company as a whole) is an estimate and is purely indicative. It is based upon assumptions and involves significant elements of subjective judgement and analysis; it is speculative in nature and it can be expected that some or all of the assumptions underlying this estimate will not materialise or will vary significantly from actual figures.

No representation is made by AXA IM or any other person that the investment objective of Volta will be achieved and that it will produce positive returns.

KEY MESSAGES FROM THE INVESTMENT MANAGER

- Volta's NAV performance was 13.6% for the annual period (dividends re-invested in the NAV).
- Interest and coupons from the assets were the main contributor to performance (11.5% of Volta's NAV as at the beginning of the period) but a supportive market dynamic also contributed.
- We continue to be able to source investment opportunities in line with our target return, with an average projected yield on purchases near 10.6%.
- Performance drivers are likely to change in the near future: most of the pull-to-par benefit on the debt portion of Volta's assets has been realised for the next annual period, but refinancing and/or resetting of CLO debt tranches should continue to add value to Volta's CLO Equity bucket.

Just as importantly, the returns generated in the financial year have continued to be produced with controlled levels of risk. Based on monthly NAV performance, the Sharpe Ratio (excess return generated above risk-free rates relative to the volatility of returns) of Volta was at 1.8 for the last three years, reflecting the benefit that we are able to extract for Shareholders from the breadth of the investment strategy. We believe that this compares favourably with global equity, bond and credit markets, as well as some of our peers. Our ability to build a portfolio mixing assets with various dynamics and volatilities has enabled us to source opportunities and to deliver a robust performance over the long term.

UNDERSTANDING THE PERFORMANCE FOR THE ANNUAL PERIOD ENDED 31 JULY 2017

Overall, through the annual period, Volta performed well with a NAV performance of 13.6% from the end of July 2016 to the end of July 2017. As is typically the case, the vast majority of this performance was generated by the ongoing cash flows received from our assets. In addition, realised and unrealised gains contributed positively this year again. The performance for the annual period can be attributed as follows[1]:

	Percentage of NAV	Euros per share
Interest and coupons received	11.5%	0.91
Realised gains	1.1%	0.08
Unrealised gains	5.7%	0.45
Currency impact	(1.9%)	(0.15)
Interest expense	(0.4%)	(0.02)
Operating expenses	(2.4%)	(0.19)
NAV performance	13.6%	1.08

1 The figures in the above table are calculated as the performance during the financial year ended 31 July 2017 expressed as a percentage of the NAV as at the end of July 2016 and in euros per share. These figures do not directly tie in to the figures presented in the financial statements as the contribution presented above relating to unrealised gains has been adjusted to exclude the estimated currency impact on the portfolio, calculated as the difference derived from retranslating the Company's foreign currency investments at the relevant foreign currency rates as at 31 July 2017 and 31 July 2016. An equal but opposite adjustment has been made to the currency impact contribution to show the aggregate impact of foreign currency movements on portfolio returns net of foreign currency hedging.

For this annual period two asset classes out-performed:

- According to internal performance attribution estimates, the performance of our European CLO Debt bucket was 24.9% and the performance of our USD CLO Debt bucket was 29.8%, including the benefit and the cost of the leverage applied to a portion of the USD CLO Debt bucket (performance was 20.9% without taking into account the effects of the leverage). Both asset classes benefited from the credit tightening that occurred after the volatility experienced in Q1 2016.
- CLO Equity tranches, both in USD and in euro, performed in the area of 20% thanks to the same credit dynamic but also to the positive effect of refinancing or resetting CLO debt tranches at lower spreads (mechanically it is beneficial to the equity which benefits from a lower cost of funding for the following years).

The lowest performing asset class for Volta this year was Cash Corporate Credit Equity (mainly direct lending through two private loan funds) with a positive performance of 9.3%, but this portion of the portfolio and the Bank Balance Sheet bucket are expected to provide very stable performances, which is exactly what they have previously delivered through the years, diversifying and stabilising Volta's performance.

It is worth mentioning that significant portions of the realised and unrealised gains have arisen from CLO Debt tranches that were held at discounted prices one year ago. By way of example, the average price of Volta's USD CLO Debt was 89.1% of par as at the end of July 2016. It was a core component of our investment strategy for the period to expect some spread tightening for these assets. As at the end of July 2017, the average price of Volta's USD CLO Debt is 97.7%. Following this degree of uplift, we decided to decrease the size of the CLO Debt bucket given that it is now principally a "carry trade" and can no longer benefit from any significant price increase. Conversely, we do believe that the CLO Equity bucket could still benefit from some market dynamics (CLO debt refinancing or "deal resets").

Again this year, **Volta has been able to benefit from the breadth of its investment strategy, maintaining an attractive projected yield on its assets while delivering a solid performance**. It is worth mentioning that for many years now Volta's projected IRR on its assets has been in the area of 10% but, thanks to the ability to trade the portfolio and the various dynamics of its assets, we have been able to achieve a 10%+ net performance as shown in the table below.

OVERALL LONG-TERM PAST PERFORMANCE

For many years, the strong performance in terms of NAV per share has been in line with the strong fundamentals of Volta's assets and our ability to benefit from the flexible mandate that governs Volta's investment approach, and also reflects our ability to sell or leverage the most stable part of our portfolio.

As a listed company investing mainly in US dollar and euro corporate assets, Volta's performance can be compared with both equity and high yield bond or loan indices. As at the end of July 2017 the performance was as follows[1] (annualised figures):

	One year %	Five years %	Since Volta's inception %
NAV performance (including dividends paid and re-invested at NAV)	13.6	17.6	6.2
Share performance (dividends re-invested in shares)[2]	**18.7**	**22.2**	**11.8**
S&P 500 (total return)[2]	16.0	14.7	7.7
MSCI European (total return)[2]	20.1	13.3	3.6
US High Yield Bonds (H0A0 Index)[2]	11.3	6.7	7.5
US Loans Market (S&P LSTA Index)[2]	6.7	4.5	4.7
European High Yield Bonds (HE00 Index)[2]	8.3	8.4	7.4
European Loans Market (S&P ELLI Index)[2]	4.8	5.5	4.2

1 No statement in this comparative table is intended to be nor may be construed as a profit forecast. The figures provided relate to previous months or years and past performance is neither a guide to future returns nor a reliable indicator of the future performance of the Company or the Investment Manager.

2 Figures given by Bloomberg using the total return analysis ("TRA") function. Each index is in its local currency.

Overall, the performance of an investor re-investing their dividends in the Company's shares (11.8% annualised return as at 31 July 2017 since Volta's launch in December 2006) can be favourably compared to the performance of the large equity indices and high yield bond or loan indices referenced in the table above for the same period.

Since the financial crisis of 2008/2009, Volta's portfolio has been significantly reshaped and, for the last five years, we have been able to perform strongly with low volatility. The volatility of the monthly NAV performances over this period has been far below the volatility of classic equity indices, while delivering greater return.

VOLTA PORTFOLIO POSITIONING AS AT 31 JULY 2017

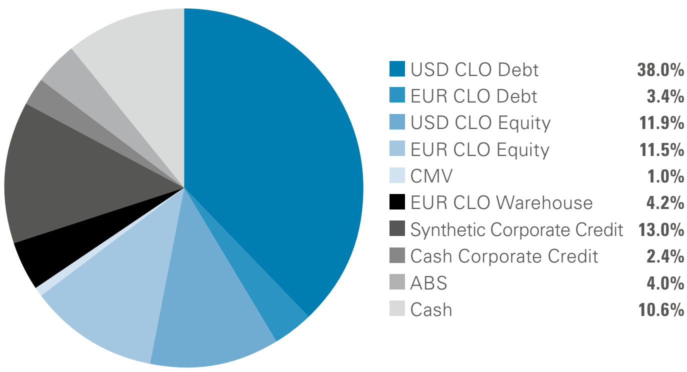
During the annual period under review we:

- increased the size of the USD CLO Equity bucket;
- increased the size of the Bank Balance Sheet transaction bucket; and
- decreased significantly the size of our CLO Debt bucket (especially the European bucket).

This reflects our view that:

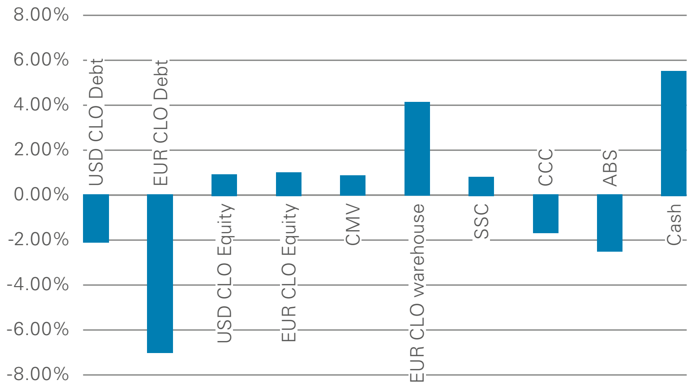
- thanks to the tightening of CLO debt (the whole cost of USD CLO debt went from Libor +220bp to Libor +170bp from Q1 2016 to Q2 2017), we consider that there is even more value in CLO Equity tranches (being able to lock in a cheaper cost of leverage is favourable);
- the higher allocation to European CLO tranches (both on debt and equity tranches) that we held from mid-2014 to end of 2016 corresponded to a prudent view on the USD portion of Volta assets (Oil and Gas story and then the Trump election). Our view is now more evenly balanced between Europe and the US and we rebalanced the portfolio in favour of USD assets; and
- Bank Balance Sheet transactions, although expected to provide a performance that is within the lower part of Volta's target range, add diversification and stability to the overall portfolio.

ASSET ALLOCATION (AS % GAV) AS AT 31 JULY 2017



INVESTMENT MANAGER'S REPORT CONTINUED

ASSET ALLOCATION CHANGES SINCE 31 JULY 2016



For the coming annual period, we expect to continue to increase the Bank Balance Sheet bucket as well as the CLO Equity bucket.

We believe that CLO equity tranches, with longer re-investment periods and the proven ability to refinance or reset their debt, are long-term investments that continue to merit our attention. We particularly like the optionality that exists in CLO Equity positions; they can benefit from some credit widening as long as they are able to re-invest (this was the case for CLO equity tranches issued in years 2006 and 2007 that ended up with a greater performance thanks to the global financial crisis of 2008 (the "GFC")) but are also able to benefit from a lowering of their cost of leverage (CLO debt refinancing and CLO resetting) in front of loan spread compression. Typically, the examples of CLO debt refinancing that we have seen this year improved the projected yield of the equity piece by circa 1% and the examples of CLO resets that we have seen were able to improve the projected yield of the equity piece by roughly 2%.

During the annual period under review, $26.1 million nominal amount of our USD CLO Equity positions and €16.0 million nominal amount of our EUR CLO Equity positions benefited from a refinancing or a reset.

We are of course conscious that at some point there is likely to be a reversal in credit markets (more defaults) and we are pleased to see more and more CLOs being issued or reset with a longer re-investment period. The longer the re-investment period, the lower the probability that such a reversal cycle might happen when the CLO is unable to re-invest. With annual cash flows in the high double-digit area, CLO equity tranches are rapidly accumulating performance to face less good years if and when they arise.

Typically, the eight USD CLO Equity positions purchased by Volta in years 2006 and 2007 and maintained in the book for their remaining life (not taking into account some trades done during the GFC) produced an average performance of 23.5% through their life. In order to illustrate the level of cash flow that is paid from CLO equity positions, the ongoing cash flow from the current CLO 2.0 Equity positions of Volta is currently 17.7% (annualisation of the last payment compared to initial investment, excluding first long payments, mixing USD and euro positions).

Regarding Bank Balance Sheet positions, it is worth mentioning that AXA IM is one of the more important players in this area in Europe, managing funds dedicated to this strategy of more than €1.5 billion. For 2017, the supply from European banks is expected to be in the area of €5 to €6 billion and should be maintained near this level for 2018. Our size is a clear advantage to negotiate appropriate and reasonable terms for each and every position in which AXA IM decides to invest on behalf of its clients. With the exception of 2012, which was at the peak of the European crisis, when we were able to source some transactions in the area of 12% to 13% projected yield (most of these positions have been called by the banks since), the projected yield at which we sourced Bank Balance Sheet transactions has been relatively unchanged in the area of 9% to 11% for the last few years.

OVERVIEW ON THE ANNUAL PERIOD ENDED 31 JULY 2017

This annual period was another year with relatively high turnover as Volta:

- invested the equivalent of €109.6 million* in 29 assets at an average projected yield of 10.6% (including calls on previously committed investments); and
- received the equivalent of €120.2 million* from assets that have been sold or called during the annual period.

* These amounts exclude one intraday trade for an amount of €1.8 million that does not reflect normal investment activity.

During the annual period, aside from the classic investments in CLO Debt, CLO Equity and Bank Balance Sheet transactions it is worth mentioning that Volta closed one European CLO Warehouse, rotating its position into the CLO Equity position, and opened a second Warehouse that is expected to result in a CLO Equity position in Q4 2017. We also committed $20 million into a Collateralised Manager Vehicle ("CMV") that will permit Volta to invest, for several years, in the CLO Equity production of one CLO manager who we regard highly (as at the end of July 2017, $4 million was drawn under this commitment).

PROJECTED IRR ON VOLTA'S PORTFOLIO

As at the end of July 2017, considering reasonable and standard assumptions, Volta's assets have a projected yield in the area of 9.8%, before taking into account the effect of leverage arising from the Repo. This projection is purely indicative and there is no express or implied guarantee on the part of AXA IM or any other person that this projection will be realised.

Volta continues to leverage a portion of its CLO Debt bucket and this leverage ($45 million of debt) is considered to improve the projected yield of the whole portfolio by roughly 1.0% to 10.8%.

This projected yield is based on the assumption that the CLO Equity tranches will suffer from defaults at the underlying loan portfolio level in line with historical averages. During the last ten years, defaults in the CLOs selected for Volta by AXA IM occurred at a pace significantly below the historical average as measured by the WARF of the underlying loan portfolio. Taking these considerations into account,as well as the optionality that exists with CLO Equity positions (the possibility to refinance/reset the transaction discussed above), the overall performance of Volta's portfolio could be 1% to 2% in excess of the above projected yield, assuming that our projections realise. Unfortunately, as the prices of CLO Debt tranches are currently relatively close to par, there is little chance that trading CLO Debt positions will add much value for the next annual period, although the high level of Volta's cash flows allows us to benefit from opportunities that might arise in the event of volatility (as was the case in Q1 2016).

In terms of credit performance, it is worth mentioning that Volta's underlying credit portfolio did not suffer particularly during the annual period. As usual, some defaults occurred in the underlying credit portfolio but at a pace that is far below the standard projected default rate that we use when modelling Volta's assets. Cash flows from our assets were relatively stable and we do not foresee, at the time of writing, any significant change in the expected cash flows from Volta's portfolio.

CURRENCY EXPOSURE

During the period, we managed very smoothly the currency hedge of Volta's US dollar assets back into euro. Very simplistically, we increased the amount of the hedge when the US dollar appreciated and reduced it when the US dollar depreciated somewhat. Typically, through the annual period, our highest US dollar exposure was 35.3% at the end of July 2016 (1.12 USD/EUR), our lowest US dollar exposure was 21.7% at the end of February 2017 (1.06 USD/EUR) and at the end of July 2017 (1.14 USD/EUR) the US dollar exposure of Volta was 30.9% of NAV. Because of the liquidity risk that accompanies a full hedge (being fully hedged would mean facing significant margin calls), Volta has tolerated a residual US dollar exposure for years. Our intention is not to manage this position actively except for the very simple type of management that has been performed again this year (simply reducing US dollar exposure if the US dollar appreciates and vice versa). Considering the circa 30% US dollar exposure of Volta and the historical mean-reverting behaviour of USD/EUR cross rates, we do not expect the currency exposure of Volta to be the main driver, through the cycle, of Volta's performance. Clearly this has been the case since Volta's inception more than ten years ago.

OUTLOOK FOR THE NEXT ANNUAL PERIOD

During this annual period 2017, Volta performed above its target range of 9% to 11% net of fees thanks to market dynamics (spread compression on debt and refinancing/resetting of leverage at lower levels). Clearly, we cannot expect such a strong dynamic to occur for the next annual period (most of our debt assets already have prices close to par) but we can expect a continuation of the current conditions (levels of default in credit markets being below historical averages), providing a sound environment for the ongoing performance of the CLO Equity and Bank Balance Sheet transactions.

Like every reasonable investor, we are alert for signs of imbalances that could cause volatility. Late in 2016 we identified the new US administration and the possibility of some interest rate volatility as potential sources of volatility for our markets. However, none of this has materialised so far. There arze, of course, still concerns (the end of QE in the US and later in Europe, Brexit, the threat to classic retail businesses from online sales, political instability in the Middle East, etc.) but we cannot see, at the time of writing, anything that is expected to be of significant impact to Volta's portfolio.

Our strong belief is that success in this kind of environment is likely to come from:

- the effectiveness of portfolio diversification (being the main reason to increase our Bank Balance Sheet transaction bucket);
- the high level of cash flows from our assets, which is key to being able to re-invest at a discount in the event of market stress; and
- the maintenance of a bifurcated portfolio mixing long-term assets that are able to go through a full credit cycle (CLO equity with a long re-investment period) with more short-term and liquid positions (e.g. some of the old CLO Debt that we hold).

Strategically, we expect to continue increasing the Bank Balance Sheet transaction bucket and the CLO Equity bucket (favouring "controlling positions") during the next annual period. Globally, we will tend to decrease the number of positions, although maintaining a high level of diversification in order to increase the value that can be added from "soft" restructuring of deals (refinancing/resetting/calls/repackaging). CLO warehousing transactions may also be part of this strategy.

We consider that our mandate as Volta's Investment Manager is to invest in assets that should be able to produce stable revenue (which can support attractive distributions to Shareholders) through investing in assets and structuring investments that are adapted to the prevailing market circumstances. We will continue to draw upon the experience of our teams in the structured finance department of AXA IM and their ability to take advantage of investment opportunities across the different segments of the structured finance markets in order to meet Volta's objectives.

AXA INVESTMENT MANAGERS PARIS
19 OCTOBER 2017

DEPOSITARY REPORT

In our capacity as Depositary to Volta Finance Limited for the year ended 31 July 2017, we confirm that, in our opinion, the Company has been managed in accordance with the provisions of the principal documents of the Company, the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended), The AIFMD Rules, 2013, and the rules made thereunder.

STATE STREET CUSTODY SERVICES (GUERNSEY) LIMITED
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ADMIRAL PARK
ST PETER PORT
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19 OCTOBER 2017

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 July 2017. In the opinion of the Directors, the annual report and audited financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

INCORPORATION

The Company is a limited liability company registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 45747.

ACTIVITIES

The Company is a closed-ended investment company with the objective of investing, among other asset types, in the following main asset classes: CLO, Synthetic Corporate Credit, Cash Corporate Credit and ABS. Further information regarding the Company and its activities is provided in the Corporate Summary on pages 55 and 56.

RESULTS AND DIVIDENDS

During the financial year the Company's NAV increased by €16.2 million or €0.44 per share. The net comprehensive income for the year, determined under International Financial Reporting Standards ("IFRS"), amounted to €38.7 million.

During the year, the Directors declared the following quarterly dividends: €0.15 per share paid in September 2016; €0.16 per share paid in December 2016; €0.15 per share paid in March 2017; and, €0.16 per share paid in June 2017.

REPURCHASE AGREEMENT WITH SOCIÉTÉ GÉNÉRALE

The Company has a repurchase agreement ("Repo") with Société Générale, Paris, France ("SG"), under the terms of which SG has provided the Company with finance of $45.0 million secured against a portfolio of USD CLO Debt securities. Please refer to Note 13 to the financial statements for further details.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company are described within the Principal Risk Factors section of the annual report on pages 13 to 16 and Note 20 in the financial statements.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFM DIRECTIVE" OR "AIFMD")

The AIFM Directive seeks to regulate managers (''AIFMs'') of alternative investment funds (''AIFs'') that are marketed or managed in the European Economic Area. In compliance with the AIFMD, the Company has appointed AXA IM to act as its AIFM and has appointed State Street Custody Services (Guernsey) Limited ("SSCSGL") to act as its Depositary. Please see the legal and regulatory disclosures section on pages 57 and 58 for further information.

RISK RETENTION PROVISION – THE EUROPEAN UNION RISK RETENTION REQUIREMENTS AND THE US RISK RETENTIONS RULES

EU and US risk retention provisions are designed to ensure that the sponsor of a securitisation has "skin in the game" and would bear a risk of principal losses commensurate with the risk taken by the investors in the securitisation in the event of poor performance. The "skin in the game" is currently characterised in both regimes by an obligation to retain 5% of the risk of the securitisation, although measurement of the risk, instruments held, type of retainer (originator, original lender or sponsor) and eligible forms of retention used may vary to a certain extent between the two regimes.

Implementation of the EU and US risk retention requirements have not affected the ability of the Company to carry out its investment strategy in the CLO market. Conversely, new investment opportunities have or may become available to the Company, depending upon how CLO managers structure future CLO issuances in order to comply with the risk retention requirements.

UNITED STATES OF AMERICA FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

Guernsey has entered into an Intergovernmental Agreement ("IGA") with the US Treasury in order to comply with FATCA for enhanced reporting of tax information. Under the IGA, the Company is regarded as a Foreign Financial Institution ("FFI") resident in Guernsey. The Board continues to monitor developments in the rules and regulations arising from the implementation of FATCA in conjunction with its tax advisors.

REPORT OF THE DIRECTORS CONTINUED

COMMON REPORTING STANDARD

The "Common Reporting Standard" ("CRS") is a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. As a consequence of the regulations introduced by the States of Guernsey to implement the CRS, the Company is required to report certain tax information to the Guernsey income tax office in respect of investors resident in other CRS participating jurisdictions. That information will be transmitted by the Guernsey income tax office to the relevant foreign tax authorities. Please see the legal and regulatory disclosures section on pages 57 and 58 for further information.

GOING CONCERN

The Company currently has only a limited amount of debt financing ($45 million as at the financial year-end date). The Company's current cash holdings and projected cash flows are sufficient to cover current liabilities and projected liabilities. The Directors have considered financial market conditions at the financial year-end date and subsequently and have concluded that any reasonably foreseeable adverse future investment performance would not have a material impact on the Company's ability to meet its liabilities as they fall due. After making appropriate enquiries, the Directors are therefore of the opinion that the Company remains a going concern and are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

VIABILITY STATEMENT

In accordance with the AIC Code, the Directors have assessed the prospects of the Company over the three-year period from the date of approval of this report. In making this assessment the Directors have taken into account the impact that various significantly adverse scenarios might be expected to have on the Company's cash flow and its ability to meet its liabilities on a timely basis.

The starting point for this analysis was the Company's current financial position; current market conditions; the principal risks facing the Company, as described within the Principal Risk Factors section of the annual report on pages 13 to 16; and the risks arising from the Company's financial instruments set out in Note 20 to the financial statements, and their potential impact on the Company. A forecasting period of three years was considered to be appropriate given the life cycle of the Company's particular investment universe and the structure and investment objectives of the Company.

In making their assessment of the Company's prospects, the Directors have focused their attention on those risks impacting the carrying value and liquidity of the Company's investment portfolio and the Company's ability to generate cash from its activities, and thereby to enable it to meet its payment obligations as they fall due, including under the Repo and derivatives contracts, as well as to continue to pay a stable stream of dividends in accordance with its investment objectives. The Directors consider that the greatest risks to the Company's ability to generate cash, and to the carrying value of its investments, would be a sustained increase in the default rate of the credit investments and/or underlying assets of the portfolio and/or any change in market conditions which resulted in severe, prolonged damage to the liquidity and market value of the investment portfolio.

The Directors have considered income, expenditure and NAV projections for the Company, firstly under the assumption that current conditions persist for the entire three-year review period, then under various adverse scenarios, including some that are severe but plausible, and including scenarios under which default rates are assumed to increase significantly to higher levels than any previously experienced by the Company and adverse market conditions are assumed to impact the market value and liquidity of the Company's portfolio assets in a similar way to the 2008/2009 crisis.

Under no plausible scenario modelled did the Company run out of cash but the modelling made two key assumptions: firstly, it was assumed that the portfolio would react to changes in underlying factors in a similar way to that experienced in the past; and secondly, the Directors made the assumption that the Investment Manager would be able to actively and conservatively manage the portfolio during the downturn.

The Directors noted that under various plausible adverse scenarios, while neither of the Company's objectives of providing a stable income stream and preserving capital across the credit cycle may be met, projected income exceeded projected expenses over the period.

The Directors note that the Company's shares trade at a discount to NAV. They actively monitor the discount and communicate regularly with Shareholders on this subject. In making their assessment of viability, the Directors have assumed that Shareholders will continue to recognise the value provided by the Company and will not petition to wind up the Company. The Directors have also assumed that no unforeseen change in, or change in interpretation of, the regulations and laws to which the Company is subject will have a materially negative impact upon its viability.

The Directors therefore confirm that they have performed a robust assessment of the viability of the Company over the three-year period from the date of approval of this report, taking into account their assessment of the principal risks facing the Company, including those risks that would threaten its business model, future performance, solvency or liquidity.

The Directors, after due consideration and in the absence of any unforeseen circumstances, confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

DIRECTORS

The Directors who held office during the financial year and up to the date of approval of this report were:

Graham Harrison
Stephen Le Page
Paul Meader
Atosa Moini (appointed 19 June 2017)
Joan Musselbrook (resigned 20 June 2017)
Paul Varotsis

The Directors' interests in the Company's share capital as at the current financial year end were:

	Number of shares at 31 July 2016	Shares issued	Shares purchased	Number of shares at 31 July 2017
G Harrison	3,414	3,582	—	**6,996**
S Le Page	12,771	3,736	—	**16,507**
P Meader	20,064	4,905	—	**24,969**
A Moini (appointed 19 June 2017)	—	—	—	**—**
P Varotsis	158,030	4,061	9,500	**171,591**

DISCLOSURE OF INFORMATION TO AUDITOR

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 Auditor is unaware and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

KPMG Channel Islands Limited served as Auditor during the financial year and has expressed its willingness to continue in office. A resolution to re-appoint KPMG Channel Islands Limited as Auditor will be put to the forthcoming 2017 AGM.

COMPANY SECRETARY

The Company Secretary is Sanne Group (Guernsey) Limited of Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG, Channel Islands.

By order of the Board

SANNE GROUP (GUERNSEY) LIMITED
COMPANY SECRETARY
19 OCTOBER 2017

RISK COMMITTEE REPORT

The Risk Committee presents its report for the year ended 31 July 2017.

TERMS OF REFERENCE

The Board has established terms of reference for the Risk Committee (the "Committee") governing its responsibilities, authorities and composition in accordance with the AIC Code.

The Committee's responsibilities include, but are not limited to, the following:

- reviewing and monitoring the effectiveness of the Company's risk management and internal control procedures pertaining to the investment portfolio, focusing on identifying and overseeing those investment portfolio related risks that might impact upon the performance of the Company's NAV and/or shares, and reporting its findings to the Board;
- the development and maintenance of a risk matrix, incorporating risk mitigation measures, to assist the Committee in identifying, recording and monitoring the key risks faced by the Company, having regard to all risks that may be identified, including those identified in the Principal Risk Factors section on pages 13 to 16;
- the recommendation of investment risk limits and tolerances to the Board and regular review of the suitability of those adopted;
- monitoring compliance with those investment risk limits and tolerances and notifying the Board of any breaches or material concerns on a timely basis; and
- monitoring compliance with operational and regulatory requirements relating to the Company's investment portfolio and notifying the Board of any breaches or material concerns on a timely basis.

The Risk Committee complements and enhances the work of the Audit Committee, which focuses on risks that might impact upon financial reporting and other areas that are not specifically related to the Company's investment portfolio.

DELEGATION OF DUTIES

The Committee has no full-time employees as all day-to-day operational functions, including investment management, risk management and internal control, have been outsourced to various service providers. However, the Committee retains full responsibility for the oversight of such service providers.

COMPOSITION

The Risk Committee currently comprises Mr Harrison (Chairman), Mr Le Page, Mr Meader, Ms Moini and Mr Varotsis. Only Independent Directors may serve on the Risk Committee. The Committee meets at least four times each year.

ACTIVITIES

During the financial year ended 31 July 2017 the Committee met on five occasions and conducted due diligence visits to the Administrator in May 2017 and to the Investment Manager in June 2017.

The Committee reviews both quantitative and qualitative metrics in relation to the categories of risk which are relevant to the Company's overall activities, the particular characteristics of the Company's investments and the Company's investment objectives. These metrics are generally provided to the Committee by the Investment Manager but, from time to time, the Committee may also be provided with information by its Company Secretary or its Corporate Broker. In all cases the Committee monitors the quality of the data to satisfy itself as to the validity and appropriateness of the data.

The Committee constructively challenges the Investment Manager in relation to matters of investment risk.

The Committee ensures that the risk matrix is kept up to date in response to the evolving strategy and risk environment of the Company.

The principal risks facing the Company, as identified by the Committee in conjunction with the Board, including those risks that would threaten its business model, future performance, solvency or liquidity are listed in the Principal Risk Factors section on pages 13 to 16.

The Committee has worked jointly with the Audit Committee to develop a framework for the analysis required for the Board to make the Viability Statement included on page 10 of this report. This work included scenario and stress case modelling produced by the Investment Manager at the Committee's request.

The Committee has concluded from the results of its activities during the financial year that the risks faced by the Company, as described in this annual report, are appropriate to the Company's investment objectives and circumstances and are adequately monitored and controlled. The Committee has reported accordingly to the Board.

GRAHAM HARRISON
CHAIRMAN OF THE RISK COMMITTEE
19 OCTOBER 2017

PRINCIPAL RISK FACTORS

SUMMARY

An investment in the Company's shares is suitable only for sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result. The Company offers no assurance that its investment objectives will be achieved. Prospective investors should carefully review and evaluate the descriptions of risk and the other information contained in this report, as well as their own personal circumstances, and consult with their financial and tax advisors before making a decision to invest in the shares.

Prospective investors should be aware that the value of the shares may decrease, any dividend income from them may not reach targeted levels or may decline, and investors may not get back their invested capital. In addition, the market price of the shares may be significantly different from the underlying value of the Company's net assets. The NAV of the Company as determined by it from time to time may be at a level higher than the amount that could be realised if the Company were liquidated.

The following principal risks and uncertainties are those that the Company believes are material, but these risks and uncertainties may not be the only ones that the Company and its Shareholders may face. Additional risks and uncertainties, including those that the Company is not aware of or currently views as insignificant, may also result in decreased revenues, increased expenses or other events that could result in a decline in the value of the shares. A more comprehensive list of the risks faced by the Company may be found in the Summary Document that is posted on the Company's website.

STRATEGIC RISKS

These are the investment risks the Company chooses to take in order to meet its performance objectives. The Board has defined limits for various metrics in order to monitor and control the following strategic risks, which are reviewed by the Risk Committee on at least a quarterly basis. The Board also reviews regularly the broad investment environment and receives detailed reports, including scenario analysis, from the Investment Manager on the economic outlook and potential impact on the Company's performance.

PRINCIPAL RISKS	IMPACT, TOLERANCE, CONTROLS AND MITIGATION
DEFAULT RISK – The risk that underlying loans or financial assets within the investment portfolio default, leading to investment losses, a reduction in cash flows receivable and a fall in the Company's NAV.	Depending on the severity of any increase in default rates, particularly the duration of any such increase, the impact of underlying asset default risk could potentially be high. However, the Company is expected to be able to tolerate a short-term spike in defaults without any material impact on the Company. Default risk is monitored and managed by the Investment Manager through active portfolio management and is mitigated by the Company's broadly diversified investment portfolio. Individual and aggregated exposure limits and tolerances in relation to credit risk are set by the Company and reviewed regularly. Because most CLOs and some other investments in the Company's portfolio are actively managed and the Company invests at various levels in the capital structure of CLOs, the aggregate net credit exposure across the portfolio to underlying names cannot be fully controlled. However, the Investment Manager periodically provides granular impact analysis of credit exposure to the larger underlying obligors in order to allow the Board to be satisfied that the portfolio remains broadly diversified and that this risk remains at a tolerable level.
The risk that a counterparty defaults leading to a financial loss for the Company.	The Company has a moderate credit exposure to counterparties through derivatives, the Repo and cash deposits. On rare occasions, there may be short-term exposure via settlement processes. Limits are set for individual counterparty exposures. The Investment Manager monitors these limits and provides compliance reports thereon to the Risk Committee. The Investment Manager also monitors the quality and appropriateness of counterparties, upon which it performs regular due diligence.

PRINCIPAL RISK FACTORS CONTINUED

STRATEGIC RISKS CONTINUED

PRINCIPAL RISKS	IMPACT, TOLERANCE, CONTROLS AND MITIGATION
MARKET RISK – The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV.	The impact of market risk on the Company's ability to achieve its investment objectives could potentially be high. While the Company is well positioned to tolerate short-term market volatility and/or lack of liquidity, sharp falls in market prices would require more eligible collateral to be posted under the Repo at relatively short notice and a prolonged severe drop in NAV could ultimately trigger the termination of the Repo. Market risk is therefore monitored closely and is managed and mitigated as far as possible by the Investment Manager through active portfolio management, the maintenance of a diversified investment portfolio and use of the flexibility of the Company's investment policy, which permits the Investment Manager to switch between asset classes and levels of risk. Given that the Company's investments have floating interest rate characteristics, risk arising from interest rate volatility is modest. The Investment Manager carefully manages the Company's foreign exchange exposure hedging through derivatives to balance the partial mitigation of the impact of foreign exchange fluctuations upon the NAV with the need to ensure that any margin obligations can be met comfortably. The Risk Committee has set foreign exchange exposure tolerances and derivative margin tolerances.
The risk of severe market disruption leading to impairment of the market value and/or liquidity of the Company's investment portfolio.	The Company is well positioned to be able to tolerate prolonged market disruption, as occurred in 2008/2009, due to the fact that the Company is financed mostly by equity on which it is able to exercise discretion regarding dividend payments and the fact that the Company's debt financing through the Repo transaction is relatively small and structured in a way that should enable repayment in an orderly manner if required. The Board monitors overall leverage levels and the Risk Committee oversees soft limits applicable to the Repo and associated collateralisation.
The market value of the collateral posted by the Company under the Repo is significantly higher than the amount of the loan due to the application of haircuts. The amount of collateral that would be required could increase significantly in the event of market disruption.	The Investment Manager monitors on a daily basis the collateral requirements under the Repo and ensures that a suitable amount of available cash and other liquid assets is available at all times to respond to any requirement to post additional collateral. The liquidity of the Company is controlled through limits set and monitored by the Investment Manager and by the Risk Committee. The Risk Committee and the Board require timely exception reporting from the Investment Manager upon any breach relating to these limits.
RE-INVESTMENT RISK – The ability to re-invest in investments that maintain the targeted level of returns at an acceptable level of risk.	The potential impact of this risk is considered to be moderate in that it would not be felt immediately, given the medium-term nature of the Company's portfolio. The Company fully tolerates this risk in order to achieve its investment objectives. In the Board's opinion, the ability of the Company and the Investment Manager to mitigate this risk is necessarily limited by external factors. Nevertheless, the Investment Manager is alert to the need to anticipate and respond to market and regulatory developments. Taking into account the reputation, size and presence in the market of the Investment Manager, which provide increased exposure to investment opportunities, and the Company's flexible investment mandate, the Board believes that this risk is mitigated as far as reasonably possible. The Board is aware of the risk of "creep" in risk tolerance in order to maintain returns in less favourable market environments and regularly challenges the Investment Manager on this point.

PREVENTABLE RISKS

These are the risks that the Board believes should be substantially mitigated by the Company's controls. The Board has defined limits for various metrics in order to monitor and control the following preventable risks, which are reviewed by the Risk Committee on at least a quarterly basis.

PRINCIPAL RISKS	IMPACT, TOLERANCE, CONTROLS AND MITIGATION
LIQUIDITY AND GOING CONCERN – The risk that the Company is unable to meet its payment obligations and is unable to continue as a going concern for the next twelve months.	If the Company were to be unable to meet its obligations as they fell due, the impact on the Company would be severe, although this risk is remote. Consequently, the Company monitors this risk and the potential threats to the liquidity of the portfolio. The availability of liquid resources is a high priority for both the Risk Committee and the Board. On a day-to-day basis, the Investment Manager monitors cash flow and payment obligations carefully and retains sufficient cash and/or liquid assets available to meet its obligations. The Investment Manager also monitors and reports to the Risk Committee on the market liquidity of the portfolio. Cash demands may arise from collateralisation and payment obligations under the Repo; margin calls and other payment obligations on hedging agreements and any other derivatives the Company might enter into; and other payment obligations such as ongoing expenses.
OPERATIONAL RISK – The risk that the Company, through its service providers, fails to meet its contractual and/or legal or regulatory reporting obligations, resulting in sanctions, financial penalties and/or reputational damage.	The potential impact of this risk is considered to range from low to high, depending on the particular obligation. Regardless of the level of risk, the Company has a very low tolerance level for operational risk. The Company relies upon the procedures and controls at its third-party service providers and carries out regular due diligence to ensure that those procedures and controls are working effectively. The Board monitors the operational performance of all its main service providers and requires them to report any material breaches related to the Company immediately. The Board also carries out periodic due diligence visits to key service providers, including the Investment Manager, the Depositary and the Administrator.
VALUATION OF ASSETS – The risk that the Company's assets are incorrectly valued.	Whilst there might be no immediate direct impact on the Company from incorrect valuation of the Company's assets in its monthly Estimated NAV reports and annual and interim financial reports, this is considered to be a high risk area due to the potential impact on the Company's share price and actions that could arise from the provision to the market of materially inaccurate valuation data. Any material valuation error is reported to investors. The Company's accounting policies for the valuation of its assets are described in Note 4 in the financial statements.
INVESTMENT MANAGER RISKS – The risk that the Investment Manager may execute its investment strategy poorly.	This risk is mitigated by the fact that the Investment Manager is part of a very large organisation with deep resources. It manages a number of other funds in the same asset classes as the Company and has a strong track record over a long period in the Company's asset classes.
Key person risk.	The Investment Manager has large teams and deep resources of skills to replace key individuals.
The risk that the Investment Manager resigns, goes out of business or exits the Company's asset classes.	The Investment Manager must give six months' notice before resigning which would help mitigate the disruption caused by any need to appoint a new manager.

PRINCIPAL RISK FACTORS CONTINUED

EXTERNAL RISKS

These are risks that are largely outside of the Company's control, but of which investors should be cognisant.

PRINCIPAL RISKS	IMPACT, TOLERANCE, CONTROLS AND MITIGATION
LEGAL AND REGULATORY RISK – The risk that changes in the legal and regulatory environment, including changes in tax rules or interpretation, might adversely affect the Company, such as changes in regulations governing asset classes that could impair the Company's ability to hold or re-invest in appropriate assets and lead to impairment in value and or performance of the Company.	The impact of legal and regulatory change, including tax change, could potentially be high. The Investment Manager continuously monitors the legal and regulatory environment in which the Company operates in order to enable the Company to continue to adapt to any legal and regulatory changes by investing in new asset classes and/or new investment structures in response to such changes. The Investment Manager and the Administrator report to the Board at least semi-annually regarding any relevant upcoming regulatory and tax changes and on an ad hoc basis if appropriate.
BREXIT – Risks arising from the proposed departure of the United Kingdom from the European Union.	In the Investment Manager's opinion there are currently no significant foreseeable risks to the Company from this event. However, the Board are monitoring developments closely with the assistance of the Investment Manager and the Administrator.

CORPORATE GOVERNANCE REPORT

The Company is a Guernsey limited liability company with shares listed on Euronext Amsterdam and the Main Market of the London Stock Exchange. Volta's home member state for the purposes of the EU Transparency Directive is the Netherlands and Euronext Amsterdam is therefore classified as the Company's primary market for regulatory purposes. As such, Volta is subject to regulation and supervision by the AFM, which supervises compliance with the Financial Markets Supervision Act in the Netherlands.

The Company is a member of the AIC and has elected to follow the AIC Code, as revised in July 2016. The AIC Code has been endorsed by the FRC as an alternative means for their members to meet their obligations in relation to the UK Corporate Governance Code (the "UK Code"). The Company is not required to apply the Dutch Corporate Governance Code. The Guernsey Financial Services Commission ("GFSC") has also issued a Code of Corporate Governance (the "GFSC Code"), which applies to the Company. Compliance with the AIC Code is deemed to satisfy compliance with the GFSC Code. A full version of the AIC Code can be found on the AIC's website: https://www.theaic.co.uk.

STATEMENT OF HOW THE PRINCIPLES OF THE AIC CODE ARE APPLIED

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code provides better, more relevant, information to Shareholders than would be achieved by reporting against the UK Code.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code throughout the financial year ended 31 July 2017, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the Chief Executive;
- Executive Directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has, therefore, not reported further in respect of these provisions. The Directors continue to monitor the systems of internal controls at each of its service providers in order to provide them with assurance that they operate as intended.

PORTFOLIO COMPOSITION

The Company publishes its portfolio composition on its website on a monthly basis.

THE BOARD

The Board is responsible for the determination of the Company's investment objectives, investment guidelines and dividend policy and has overall responsibility for overseeing the Company's activities. The Investment Manager has full discretion to make and implement decisions concerning the investments and other assets held by the Company within the guidelines and policies set by the Prospectus and amplified by the Board.

All of the Directors are non-executive. Mr Meader acts as Chairman of the Board and Mr Varotsis acts as the Senior Independent Director. Each of Mr Harrison, Mr Le Page, Mr Meader, Ms Moini and Mr Varotsis are independent from the Investment Manager and satisfy the independence criteria as set out in the AIC Code and as adopted 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 on 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).

Each of Mr Le Page and Mr Meader is a director of Highbridge Multi-Strategy Fund Limited (formerly BlueCrest AllBlue Fund Limited), an investment company whose shares are listed on the London Stock Exchange. The Board reviewed this matter at the time of Mr Le Page's appointment to the Board and concluded that this cross-directorship does not impair either Director's independence.

CORPORATE GOVERNANCE REPORT CONTINUED

THE BOARD CONTINUED

Mr Varotsis has served on the Board for over ten years. The Board's Nomination Committee has considered the question of Board tenure and has concluded that there should not be a specific maximum time in position for a director or chairman. Instead, the Nomination Committee keeps under review the balance of skills of the Board and the knowledge, experience, length of service and performance of the Directors and focuses on maintaining the right mix of skills and a balance between bringing in new Directors with fresh ideas and preserving corporate knowledge and experience. In the Board's opinion, Mr Varotsis continues to maintain his independence, notwithstanding his long service.

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 individual independence status of the Directors was last reviewed and confirmed by the Board on 19 June 2017.

The Company's day-to-day activities are delegated to third parties, including the Investment Manager, the Administrator and the Depositary. The Company has entered into formal agreements with each of its service providers. Under the terms of the Investment Management Agreement, 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. The responsibilities of the Administrator, including its duties as Company Secretary and Portfolio Administrator, are governed by an Administration Agreement and a Portfolio Administration Agreement respectively and the responsibilities of the Depositary are set out in a Depositary Agreement.

The Board monitors the performance of each of its service providers on a continuous basis and reviews their performance on a formal basis at least annually. The Directors have also reviewed the effectiveness of the risk management and internal control systems, including material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified.

COMMITTEES OF THE BOARD

Audit, Risk, Nomination and Remuneration Committees have been established by the Board and each Committee has formally delegated duties, responsibilities and terms of reference, which are published on the Company's website.

AUDIT COMMITTEE

Please see the Audit Committee's separate report on pages 21 and 22 for details of its composition, responsibilities and activities.

RISK COMMITTEE

Please see the Risk Committee's separate report on page 12 for details of its composition, responsibilities and activities.

NOMINATION COMMITTEE

The Nomination Committee currently comprises Mr Harrison, Mr Le Page, Mr Meader (Chairman), Ms Moini and Mr Varotsis. Only Independent Directors may serve on the Nomination Committee. The Committee meets at least once each year and considers the size, structure, skills and composition of the Board. The Committee considers retirements, re-appointments and appointments of additional or replacement Directors and makes recommendations to the Board in this respect with particular consideration of the rotation provisions set out in the Company's Memorandum and Articles of Incorporation.

The Nominations Committee met eight times in the financial year during which the Committee, amongst other matters, considered and managed the process of the succession of Joan Musselbrook. The Committee produced a specification for the role, taking account of various company policies such as diversity, and undertook a structured selection process. The Committee did not engage the services of an outside search and selection agency for this appointment because the Committee was of the view that it was important the selected candidate should have deep, specialist asset-class skills from recent direct involvement in the structured credit market. Given the close involvement of two Directors in this market, along with the contacts of the Investment Manager, it was determined that it would be most unlikely that an external agency would provide access to any suitable candidates that could not be sourced direct. A longlist of very strong candidates was considered and three candidates were selected for interview by the Committee. Following these interviews, the Committee recommended that Atosa Moini be appointed as a Director based on her skills and experience. Subsequent to her appointment, Ms Moini has undertaken a programme of induction training.

The Committee has considered the question of Board tenure and has concluded that there should not be a specific maximum time in position for a director or chairman. Instead, the Committee keeps under review the balance of skills of the Board and the knowledge, experience, length of service and performance of the Directors and focuses on maintaining the right mix of skills and a balance between bringing in new Directors with fresh ideas and preserving corporate knowledge and experience. When recommending new Directors for appointment to the Board, diversity of gender, age, ethnicity and cultural background are taken into consideration in accordance with the Company's diversity policy. In accordance with the Company's tenure policy, each Director will stand for annual re-election at each AGM.

During the year, Mr Meader conducted formal performance evaluations on each existing member of the Board and the Board as a whole and Mr Varotsis, as Senior Independent Director, conducted a formal performance evaluation on the Chairman. The evaluations included a discussion and evaluation of any training or development requirements. These performance evaluations were reported to the Committee and it was concluded that each such Board member had demonstrated during their current terms of office that he or she continues to demonstrate satisfactory independence; positively adds to the balance of skills of the Board; has current and relevant expertise; effectively contributes to the Board; and demonstrates commitment to the Company's business. Accordingly the Nomination Committee has recommended that the Board should propose each existing Director for re-election to the Board at the forthcoming AGM.

COMMITTEES OF THE BOARD CONTINUED

NOMINATION COMMITTEE CONTINUED

As stated in the July 2016 annual report, the Committee engaged an independent third party, Trust Associates Limited ("Trust Associates"), to carry out a review of the performance of the Board. Trust Associates provided the Board with a number of operational recommendations and suggestions for consideration, all of which either have been or will be duly considered by the Board. The overall conclusion of Trust Associates' performance evaluation was that the Board has the necessary skills, knowledge and commitment to be effective in overseeing the management of the Company and safeguarding Shareholders' interests.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Mr Harrison, Mr Le Page, Mr Meader, Ms Moini and Mr Varotsis (Chairman). Only Independent Directors may serve on the Remuneration Committee. The Committee meets at least once each year to review the remuneration of the Directors and make recommendations to the Board in this respect. Towards the end of 2016, the Board commissioned an independent third-party review of the Board members' remuneration by Trust Associates. Further details are provided in the Directors' Remuneration Report on page 23. The Remuneration Committee met four times during the financial year.

COMMITTEE COMPOSITION AND TERMS OF REFERENCE

The composition of the aforementioned Committees and their terms of reference are kept under periodic review. The terms of reference of each of the Committees require that appointments to the Committee shall be for as long as that person remains as a Director or until otherwise removed, subject always to the satisfactory demonstration of independence as a Board member.

ATTENDANCE

There were eight Board meetings held during the financial year ended 31 July 2017. The attendance record of each of the Directors was as follows:

	Number of attendances /number of meetings held during the service period of each Director
G Harrison	8/8
P Meader	8/8
J Musselbrook (resigned 20 June 2017)	5/8
A Moini (appointed 19 June 2017)	1/1
P Varotsis	6/8
S Le Page	7/8

There were five Risk Committee meetings, five Audit Committee meetings, eight Nomination Committee meetings and four Remuneration Committee meetings held during the financial year ended 31 July 2017. The attendance record of each of the Committee members was as follows:

	Number of attendances/number of meetings held during the period (where applicable, i.e. where the relevant Director was a Committee member as at the date of the meeting)			
	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee
G Harrison	4/5	4/5	7/8	—
P Meader	—	5/5	8/8	4/4
J Musselbrook (resigned 20 June 2017)	4/5	5/5	5/8	3/4
A Moini (appointed 19 June 2017)	1/1	1/1	—	—
P Varotsis	4/5	5/5	7/8	3/4
S Le Page	5/5	1/1	7/8	4/4

CORPORATE GOVERNANCE REPORT CONTINUED

INVESTMENT MANAGEMENT AGREEMENT AND CONTINUED APPOINTMENT OF THE INVESTMENT MANAGER

Details of the fees payable to the Investment Manager are disclosed in Note 21 within the financial statements.

As previously stated, the Board reviews the performance of the Investment Manager on a regular basis and considers whether or not the continued appointment of the Investment Manager is in the best interests of the Company. The continued appointment of the Investment Manager was most recently reviewed and agreed by the Board on 17 October 2017. If the Company elects to terminate the appointment of the Investment Manager without cause and without giving the Investment Manager two years' advance notice, the Company may do so upon not less than 60 days' prior written notice, but will be required to pay a termination fee to the Investment Manager. The termination fee shall be to compensate the Investment Manager for the Management Fees and Incentive Fees that the Investment Manager might have earned had the appointment of the Investment Manager not been terminated prior to the end of the two-year notice period.

Currently, the Company's investment guidelines state that "the Company will not engage in portfolio transactions (e.g. the purchase or sale of securities) with the Investment Manager acting on a principal basis or with accounts or funds for which the Investment Manager acts as discretionary investment manager (although this restriction does not prohibit investments by the Company in AXA IM Managed Products)." From time to time and on a case by case basis, the Board has permitted the Investment Manager to engage in such transactions in order to prevent this restriction from limiting the Company's ability to take certain investment opportunities. Further to the statement made in the Company's previous annual report, the Board still intends to amend the Company's investment guidelines and the Investment Management Agreement at the next available opportunity to clarify that "the Company will not engage in portfolio transactions (e.g. the purchase or sale of securities) with the Investment Manager acting on a principal basis. Indirect purchases or sales of securities (e.g. purchases and sales carried out through an independent counterparty) between the Company and accounts or funds for which the Investment Manager acts as discretionary investment manager are authorised provided they comply with the policies and procedures developed by the Investment Manager in order to eliminate or mitigate conflicts of interest and to ensure that the Company is treated in an equitable manner." In order to identify, prevent or manage and follow up any conflict of interest, the Investment Manager has set up a conflict of interest policy that is available on the following website: www.axa-im.fr.

INVESTOR RELATIONS

Shareholders are able to contact the Board directly via the Company's dedicated e-mail address (voltafinance@sannegroup.com) or by post via the Company Secretary. Alternatively, Shareholders are able to contact the Investment Manager directly via the contact details as published in the Company's monthly reports. In addition, regular meetings are conducted by the Company's broker and Investment Manager with Shareholders and other interested parties.

As a consequence, the Board receives appropriate updates from the Company Secretary and from the Investment Manager to keep it informed of Shareholders' sentiment and analysts' views.

AUDIT COMMITTEE REPORT

The Audit Committee presents its report for the year ended 31 July 2017.

TERMS OF REFERENCE

The Board has established terms of reference for the Audit Committee (the "Committee") governing its responsibilities, authorities and composition (the "Terms of Reference"). As stated in the Corporate Governance Report, the Company applies the AIC Code and accordingly the Terms of Reference of the Committee comply with the AIC Code.

The Committee's responsibilities include, but are not limited to, the following:

- reviewing and monitoring the effectiveness of the Company's financial reporting and internal control procedures;
- monitoring the integrity of the financial statements of the Company, including its annual report and interim report and any other formal announcement relating to its financial performance;
- reviewing significant financial reporting issues, estimates and judgements;
- reviewing the Company's accounting policies to ensure that they remain appropriate and are applied consistently;
- monitoring the statutory audit of the annual report and the independent review of the Company's interim report by its Auditor;
- reviewing the Auditor's performance, independence and objectivity;
- reviewing and making recommendations to the Board regarding the appointment, re-appointment or removal of the Auditor together with the terms of engagement and level of remuneration of such Auditor;
- reviewing and making recommendations to the Board regarding the appointment of the Auditor to perform non-audit related services together with the terms of engagement and level of remuneration for such services;
- reviewing such significant financial information contained in other documents or regulatory returns as the Audit Committee might deem appropriate from time to time, particularly announcements considered to contain price-sensitive information; and
- reporting to the Board on the Committee's activities and how it has discharged its responsibilities.

DELEGATION OF DUTIES

The Committee has no full-time employees as all day-to-day operational functions, including investment management, financial reporting, risk management and internal control, have been outsourced to various service providers. However, the Committee retains full responsibility for the oversight of such service providers.

COMPOSITION

The Committee currently comprises Mr Harrison, Mr Le Page (Chairman), Ms Moini and Mr Varotsis. Only Independent Directors may serve on the Committee and members of the Committee shall have no links with the Company's Auditor. Mr Le Page has recent and relevant financial experience, having been a partner with PricewaterhouseCoopers in the Channel Islands from 1994 until September 2013, thereby enabling him to fulfil his role as Chairman of the Committee. The other members of the Committee have the knowledge and experience necessary to discharge their duties.

ACTIVITIES

During the financial year ended 31 July 2017 the Committee met on five occasions and met with the Auditor on each such occasion. In addition, the Chairman of the Committee has met separately with the Executive Director responsible for the Company's audit on two further occasions. The Committee receives and reviews the Company's annual and interim reports and financial statements, including the reports of the Investment Manager and Auditor contained therein.

In the Committee's opinion, the principal risk of misstatement in the Company's financial reporting arises from the valuation of its investments. In order to mitigate this risk, the Company:

- obtains, from the third parties who supply prices for the purposes of valuing the interim and year-end holdings of investments in CLO Debt, a copy of the prices they have supplied;
- employs an independent external party with expertise in valuation to review the valuations of its CLO investments on a semi-annual basis and to report whether or not such valuations appear reasonable;
- reviews the Investment Manager's valuation assumptions to ensure that such assumptions are reasonable and to ensure that the valuations are consistent with such assumptions; and
- compares the fund valuations used in the Company's financial reporting to net asset value reports received from the relevant fund administrators and, when audited annual financial statements are available for each fund, compares the relevant net asset value reports to such audited financial statements.

The Committee reviews the independent reports and the Investment Manager's valuation assumptions prior to the publication of the Company's annual and interim reports. In carrying out the review of the valuations included in this report the Board visited the Investment Manager in June 2017, to review and discuss, in detail, the valuation sources and process. The results of these activities were satisfactory and the Committee has concluded that the investment valuations in this report are fairly stated in accordance with the Company's accounting policies.

AUDIT COMMITTEE REPORT CONTINUED

ACTIVITIES CONTINUED

The Committee has also reviewed the Company's accounting policies applied in the preparation of its annual and interim reports together with the relevant critical judgements, estimates and assumptions and has determined that these are in compliance with IFRS and are appropriate to the Company's circumstances.

The Committee has reviewed the materiality levels applied by the Auditor to both the financial statements as a whole and to individual items and is satisfied that these materiality levels are appropriate.

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 the oversight exercised by the Committee. To help satisfy itself as to the existence and efficacy of material controls affecting the Company, the Committee requests its key third-party service providers to complete an annual questionnaire and reviews the responses provided to the questions contained therein. The Committee has also obtained the latest ISAE 3402 Type II controls reports on the Company's Investment Manager and on its Administrator.

The Auditor, KPMG Channel Islands Limited ("KPMG") presents its audit plan to the Committee prior to each such audit. KPMG provided the Committee with an overview of their audit strategy and plan for the year ending 31 July 2017 at a meeting in June 2017. KPMG advised that it considered the valuation of investments to be a significant audit risk due to the risks inherent in this area, as in previous years.

KPMG has been the Company's Auditor since 2006, first auditing the annual report for the period ended 31 July 2007, and therefore the audit of this annual report is its eleventh audit of the Company. The Company benefits from this service continuity as KPMG is able to utilise staff with detailed knowledge of the Company's investment portfolio and its operations. While such staff continuity is beneficial to the Company, the Committee has noted, as reported in previous years, the developments concerning the rotation of audit firms and audit tendering promulgated by the UK's FRC and the European Union. However, it should be noted that these developments are not directly applicable to the Company.

The Committee carried out a detailed assessment of KPMG's performance, service level and quality during the year based upon the following factors, amongst others: KPMG's demonstration of knowledge of the Company and its investment portfolio; KPMG's demonstration of experience of auditing similar investment entities; the expertise and qualifications of the personnel assigned to the audit; KPMG's demonstration of independence and integrity during its conduct of the audit; and KPMG's communications to the Committee. The Committee has concluded that KPMG's performance continues to be highly satisfactory. Consequently, and considering the benefits highlighted in the previous paragraph, the Committee decided not to recommend a tender for the current audit of the Company. However, the Committee will continue to monitor the position, the quality of KPMG's audit and the standard of its performance and will consider whether or not to tender the Company's audit during the year ending 31 July 2019.

The Committee and KPMG work together to ensure that the independence and objectivity of the Auditor is maintained. In its formal communications with the Committee, KPMG confirms its compliance with all applicable independence and ethical requirements, including, among other things, ensuring periodic rotation of the lead audit director, who is subject to rotation after five years of service. It is noted that the current lead audit director was appointed for the audit of the 2015 annual report. The Committee has formally reviewed this confirmation, which includes a summary of KPMG's controls to ensure compliance with professional and regulatory standards on independence, and has also noted the level and nature of non-audit services provided during the year. The Committee has concluded from this review, and in light of its knowledge and experience gained through the actual performance of KPMG's work, that the Auditor remains independent and objective.

When the Auditor is engaged to perform non-audit related work, the Committee safeguards the Auditor's objectivity and independence by ensuring that the staff members who perform such work are separate from the staff members who perform the audit. Where it is considered to be necessary, this is achieved by engaging staff from a different office to that of the audit staff.

The Committee has reviewed the Company's financial reports as a whole to ensure that they appropriately describe the Company's activities and to ensure that all statements contained in them are consistent with the Company's financial results and expectations. Accordingly, the Committee was able to advise the Board that the annual report and audited financial statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

STEPHEN LE PAGE
CHAIRMAN OF THE AUDIT COMMITTEE
19 OCTOBER 2017

DIRECTORS' REMUNERATION REPORT

Each of Mr Harrison, Mr Le Page, Mr Meader, Ms Moini and Mr Varotsis has signed a letter of appointment with the Company setting out the terms of their appointment. At a meeting on 28 March 2017, upon the recommendation of the Remuneration Committee, and in accordance with the recommendations by Trust Associates following an independent review of the Board's remuneration, the Board adopted a change to the Directors' remuneration policy primarily to simplify the current Directors' remuneration and align it more closely with Shareholders' interests. Under the terms of the new remuneration policy, which was backdated with effect from 1 February 2017, the Chairman is entitled to receive an annual fee of €120,000, which is unchanged in comparison to the prior year. Each of the other Directors is now entitled to receive an annual fee of €88,000 (previously the Directors were entitled to receive an annual fee of €60,000, plus 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). In addition, the Chairman of the Audit Committee is now entitled to receive an additional fee of €17,500 per annum, the Chairman of the Risk Committee is now entitled to receive an additional fee of €6,000 per annum and the Senior Independent Director is now entitled to receive an additional fee of €6,000 per annum. The Directors' fees will continue to be paid quarterly.

Each Director will continue to receive 30% of his or her Director's fee in the form of newly issued shares; however the number of shares allocated will be calculated based on NAV rather than share price as previously. The NAV used will be the most recently available Estimated NAV at the time of issuance. In addition, the Directors will now be required to retain their shares for at least one year from their respective dates of issuance, compared to the previous minimum retention period of six months.

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 of Directors' remuneration for the financial year ended 31 July 2017 are shown in the table below. Differences between the remuneration levels of individual Directors other than the Chairman may have arisen during the current and previous financial years due to the timing of when Directors attended meetings in each calendar year and the difference between the calendar year and the Company's financial year, which ends on 31 July. As stated above, such attendance fees are no longer payable with effect from 1 February 2017.

Director	Cash €	Shares €	Total €
G Harrison	52,633	22,557	75,190
S Le Page	57,924	24,826	82,750
P Meader	84,000	36,000	120,000
A Moini (appointed 19 June 2017)	7,198	3,085	10,283
J Musselbrook (resigned 20 June 2017)	46,018	19,802	65,820
P Varotsis	60,900	26,100	87,000
Total Directors' remuneration	308,673	132,370	441,043

The share element of the Directors' remuneration, amounting to €132,370, was issued as follows:

Director	Shares issued during the year	Shares issued after the year end	Total
G Harrison	2,038	831	2,869
S Le Page	2,192	945	3,137
P Meader	3,581	1,075	4,656
A Moini (appointed 19 June 2017)	—	369	369
J Musselbrook (resigned 20 June 2017)	2,090	448	2,538
P Varotsis	2,517	842	3,359
Total	12,418	4,510	16,928

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

All remuneration of the Directors is set out above. There was no performance related compensation.

None of the Directors is subject to a service contract under which any compensation would be payable upon loss of office.

PAUL VAROTSIS
CHAIRMAN OF THE REMUNERATION COMMITTEE
19 OCTOBER 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Companies (Guernsey) Law, 2008 (as amended) 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") as issued by the International Accounting Standards Board ("IASB") 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to continuing as a going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 (as amended). 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 their knowledge and belief:

- 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;
- the financial statements, prepared in accordance with IFRS adopted by the 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; and
- the annual report and financial statements, taken as a whole, provides the information necessary to assess the Company's position and performance, business model and strategy and is fair, balanced and understandable.

This Statement of Directors' Responsibilities was approved by the Board of Directors on 19 October 2017 and was signed on its behalf by:

PAUL MEADER
CHAIRMAN
19 OCTOBER 2017

STEPHEN LE PAGE
CHAIRMAN OF THE AUDIT COMMITTEE

FOOTNOTE:
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of the Company's financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VOLTA FINANCE LIMITED

OUR OPINION IS UNMODIFIED

We have audited the financial statements (the "financial statements") of Volta Finance Limited (the "Company"), which comprise the Statement of Financial Position as at 31 July 2017, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity and the Statement of Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 July 2017, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards ("IFRS"); and
- comply with the Companies (Guernsey) Law, 2008.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

KEY AUDIT MATTERS: OUR ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2016):

THE RISK

VALUATION OF INVESTMENTS
€321,283,914 (2016: €324,141,161)

Refer to the Audit Committee Report on pages 21 and 22, Note 3b (Significant accounting policies – Financial instruments), Note 4 (Determination of fair values) and Note 20 (Financial risk management).

BASIS:
The Company invests in a portfolio comprised of four main asset classes – collateralised loan obligations ("CLO"), synthetic corporate credits ("SCC"), cash corporate credits ("CCC") and asset-backed securities ("ABS"), with exposure to both European and US credit markets. The fair values of these investments are based on price quotes obtained by the Company's Investment Manager from arranging banks, other market participants, or independent pricing providers (the "Price Quotes"), models generated by the Investment Manager (the "Internally Generated Models") or net asset values of the Company's holdings in other funds from the third-party administrator of such funds (the "NAVs") (73%, 15% and 12%, respectively). Price Quotes are indicative and may not represent prices traded in an active market. Investments priced using Internally Generated Models are determined using valuation techniques such as a discounted cash flow model approach or with reference to prices of comparable instruments. For investments fair valued using Price Quotes the Company engages the services of independent third-party valuation experts to review the reasonableness of their fair value and the key inputs and assumptions used in determining fair value.

RISK:
The valuation of the Company's investments is considered a significant area of our audit, given that it represents the majority of the net assets of the Company and in view of the significance of estimates and judgements that may be involved in the determination of fair value.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF VOLTA FINANCE LIMITED

KEY AUDIT MATTERS: OUR ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT CONTINUED

OUR RESPONSE

Our audit procedures included:

CONTROLS EVALUATION:
We documented and assessed the adequacy of the design and implementation of the Investment Manager's controls in relation to the valuation of investments which included their evaluation of the prices provided by arranging banks, other market participants or independent pricing providers and, where relevant, assessing the appropriateness of valuation techniques adopted and inputs used.

EVALUATING EXPERTS ENGAGED BY MANAGEMENT AND CHALLENGING MANAGEMENT'S ASSUMPTIONS AND INPUTS INCLUDING USE OF KPMG VALUATION SPECIALISTS:
For investments fair valued using Price Quotes, we traced the prices to quotes provided by arranging banks, other market participants or independent pricing providers and we used our own Valuation Specialist to test the values used to assist us with the assessment of their quality and integrity through a combination of independent comparison to available price quotes from independent sources, benchmarking to similar instruments, or applying a discounted cash flow model using contractual terms and market data.

For a risk-based selection of investments priced using Internally Generated Models, our own Valuation Specialist considered the nature and terms of the investments and their knowledge of market practice for the valuation of such investments to assess the appropriateness of the valuation. Our Valuation Specialist agreed the details of the investment to underlying agreements and compared the key inputs and assumptions, such as collateral performance, default rates, prepayment rates and market interest rates used in the Internally Generated Models to market data sources and formed an independent valuation.

For investments fair valued using the NAV, we traced the values and holdings to the NAV statements obtained independently from the third-party administrator of such funds and examined the most recent audited financial statements of those underlying funds to assess any impact on the values of those investments.

ASSESSING DISCLOSURES:
We also considered the Company's disclosures (see Note 2e) in relation to the use of estimates and judgements in determining the fair value of investments and the Company's investment valuation policies and fair value disclosures (see Notes 3b, 4 and 20) for compliance with International Financial Reporting Standards.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the financial statements as a whole was set at €6,190,000, determined with reference to a benchmark of net assets of €305,504,578, of which it represents approximately 2% (2016: approximately 2%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €309,500 (2016: €270,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in Note 2a to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect.

WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Report of the Directors on page 10 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the Directors' explanation in the Viability Statement within the Report of the Directors on page 10 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

CORPORATE GOVERNANCE DISCLOSURES

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' Statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

OPINION ON OTHER MATTERS

WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 24, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMPANY'S MEMBERS AS A BODY

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.

STEVEN D. STORMONTH
FOR AND ON BEHALF OF KPMG CHANNEL ISLANDS LIMITED
CHARTERED ACCOUNTANTS AND RECOGNISED AUDITORS, GUERNSEY
19 OCTOBER 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2017

	Notes	1 August 2016 to 31 July 2017 €	1 August 2015 to 31 July 2016 €
Operating income and financing charges			
Net gain on financial assets at fair value through profit or loss	5	**40,899,977**	18,879,822
Net foreign exchange gain, including net gains/(losses) on foreign exchange derivatives, but excluding net foreign exchange gains/(losses) on financial assets at fair value through profit or loss		**5,557,942**	291,456
Net gain on interest rate derivatives		**445,624**	—
Interest expense on repurchase agreement	13	**(1,105,396)**	(869,805)
Net bank interest expense and charges		**(128,369)**	(97,878)
		45,669,778	18,203,595
Operating expenditure			
Investment Management Fees	21	**(4,141,424)**	(4,124,762)
Investment Manager Performance Fees	21	**(1,528,163)**	—
Directors' remuneration and expenses	7	**(454,590)**	(572,277)
Legal fees		**(63,105)**	(54,132)
Company secretarial, administration and accountancy fees	8	**(265,415)**	(284,151)
Audit, audit related and non-audit related fees	9	**(127,954)**	(157,651)
Insurance		**(30,499)**	(47,572)
Depositary fees		**(95,005)**	(124,793)
Portfolio valuation and administration fees		**(13,366)**	(18,706)
Other operating expenses		**(215,169)**	(234,639)
		(6,934,690)	(5,618,683)
Profit and total comprehensive income for the year		**38,735,088**	12,584,912
Earnings per share			
Basic and diluted earnings per share	11	**€1.0600**	€0.3446

		Number of shares	Number of shares
Weighted average number of shares outstanding			
Basic and diluted	11	**36,542,152**	36,518,575

OTHER COMPREHENSIVE INCOME

There were no items of other comprehensive income in either the current year or prior year.

The Notes on pages 32 to 54 form part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Notes	**31 July 2017** €	31 July 2016 €
ASSETS			
Financial assets at fair value through profit or loss	12	**321,283,914**	324,141,161
Derivatives	14	**697,538**	1,236,789
Trade and other receivables	15	**282,620**	4,962,796
Cash and cash equivalents		**37,087,141**	10,925,201
TOTAL ASSETS		**359,351,213**	341,265,947
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	—	—
Share premium	18	**35,544,715**	33,989,102
Warrants	17, 18	—	1,410,000
Other distributable reserves	19	**123,596,736**	146,252,956
Accumulated gain	19	**146,363,127**	107,628,039
TOTAL SHAREHOLDERS' EQUITY		**305,504,578**	289,280,097
LIABILITIES			
Loan financing received under repurchase agreement	13	**38,101,500**	40,275,000
Interest payable on loan financing	13	**143,405**	114,960
Trade and other payables	16	**15,601,730**	11,595,890
TOTAL LIABILITIES		**53,846,635**	51,985,850
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**359,351,213**	341,265,947
NAV per share outstanding			
Basic and diluted		**€8.3589**	€7.9193

These financial statements on pages 28 to 54 were approved by the Board of Directors on 19 October 2017 and were signed on its behalf by:

PAUL MEADER
CHAIRMAN

STEPHEN LE PAGE
CHAIRMAN OF THE AUDIT COMMITTEE

The Notes on pages 32 to 54 form part of these audited financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 JULY 2017

	Notes	Share premium €	Warrants €	Other distributable reserves €	Accumulated gain €	Total €
Balance at 31 July 2015		33,840,763	1,410,000	168,894,228	95,043,127	299,188,118
Total comprehensive income for the year		—	—	—	12,584,912	12,584,912
Issue of ordinary shares to Directors	17, 18	148,339	—	—	—	148,339
Dividends paid in cash	10, 19	—	—	(22,641,272)	—	(22,641,272)
Balance at 31 July 2016		33,989,102	1,410,000	146,252,956	107,628,039	289,280,097
Total comprehensive income for the year		—	—	—	38,735,088	38,735,088
Issue of ordinary shares to Directors	17, 18	145,613	—	—	—	145,613
Expiry of warrants	17, 18	1,410,000	(1,410,000)	—	—	—
Dividends paid in cash	10, 19	—	—	(22,656,220)	—	(22,656,220)
Balance at 31 July 2017		**35,544,715**	**—**	**123,596,736**	**146,363,127**	**305,504,578**

The Notes on pages 32 to 54 form part of these audited financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2017

	1 August 2016 to 31 July 2017 €	1 August 2015 to 31 July 2016 €
Cash flows used in operating activities		
Total comprehensive income for the year	**38,735,088**	12,584,912
Adjustments for:		
Net gain on financial assets at fair value through profit or loss	**(40,899,977)**	(18,879,822)
Net movement in unrealised gain on revaluation of derivatives	**539,251**	(1,490,366)
Interest expense on repurchase agreement	**1,105,396**	869,805
Foreign exchange loss on retranslation of repurchase agreement	**(2,173,500)**	(321,305)
(Increase)/decrease in trade and other receivables, excluding amounts due from brokers	**(66,462)**	27,921
Increase/(decrease) in trade and other payables, excluding amounts due to brokers	**1,633,306**	(1,484,469)
Directors' fees paid in the form of shares	**145,613**	148,339
Net cash used in operating activities	**(981,285)**	(8,544,985)
Cash flows from/(used in) investing activities		
Coupons and dividends received	**34,386,909**	33,625,242
Purchase of financial assets at fair value through profit or loss	**(109,002,144)**	(127,048,412)
Proceeds from sales and redemptions of financial assets at fair value through profit or loss	**125,491,631**	84,938,476
Net cash from/(used in) investing activities	**50,876,396**	(8,484,694)
Cash flows used in financing activities		
Dividends paid	**(22,656,220)**	(22,641,272)
Proceeds from loan financing under repurchase agreement	—	13,284,305
Interest paid on repurchase agreement	**(1,076,951)**	(821,273)
Net cash used in financing activities	**(23,733,171)**	(10,178,240)
Net increase/(decrease) in cash and cash equivalents	**26,161,940**	(27,207,919)
Cash and cash equivalents at the beginning of the year	**10,925,201**	38,133,120
Cash and cash equivalents at the end of the year	**37,087,141**	10,925,201

The Notes on pages 32 to 54 form part of these audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

1. REPORTING ENTITY

Information regarding the Company and its activities is provided in the Corporate Summary on pages 55 and 56.

The Directors have chosen not to present quarterly financial statements nor interim management statements. Semi-annual unaudited condensed interim financial statements are prepared in addition to annual audited financial statements.

2. BASIS OF PREPARATION

A) STATEMENT OF GOING CONCERN

The Directors have considered the state of financial market conditions at the financial year-end date and subsequently and have concluded that any reasonably foreseeable adverse future investment performance would not have a material impact on the Company's ability to meet its liabilities as they fall due. After making appropriate enquiries, the Directors are therefore of the opinion that the Company remains a going concern and are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

B) STATEMENT OF COMPLIANCE

These financial statements comply with the Companies (Guernsey) Law, 2008 (as amended) and have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee and applicable law.

New accounting standards, amendments to existing standards and/or new interpretations of existing standards (separately or together, "New Accounting Requirements")

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there were no mandatory New Accounting Requirements applicable in the current year that had any material effect on the reported performance, financial position or disclosures of the Company. The Company did not early adopt any New Accounting Requirements during the year that were not mandatory. In the Directors' opinion, there were no non-mandatory New Accounting Requirements that, if adopted, would have had any material effect on the reported performance, financial position or disclosures of the Company. Consequently, no mandatory New Accounting Requirements are listed.

Non-mandatory New Accounting Requirements not yet adopted

The Company has not early adopted any New Accounting Requirements that are not mandatory except for IFRS 9, as disclosed in the audited financial statements for the year ended 31 July 2014. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position or disclosures of the Company and consequently have neither been adopted nor listed.

C) BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis except for the revaluation of financial instruments classified or designated at fair value through profit or loss. The methods used to measure fair value are further disclosed in Note 4.

D) FUNCTIONAL AND PRESENTATIONAL CURRENCY

These financial statements are presented in euro (rounded to the nearest whole euro), which is the Company's functional and presentational currency. In the Directors' opinion, the euro is the Company's functional currency as the Company has issued its share capital denominated in euro and the Company partially hedges the projected cash flows from its US dollar investments such that its principal exposure is to the euro.

E) 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 and 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 is included in the following:

- Note 4 – Determination of fair values; and
- Note 20 – Financial risk management.

F) PRESENTATION OF ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

Assets and liabilities are presented in order of increasing liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES

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

A) FOREIGN CURRENCIES

Transactions in foreign currencies are initially translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated to euro at the foreign currency closing exchange rate ruling at the reporting date.

Foreign currency exchange differences arising on retranslation of monetary items are recognised in the income statement under the heading of "Net foreign exchange (loss)/gain, including net (loss)/gain on foreign exchange derivatives, but excluding net foreign exchange gains on financial assets at fair value through profit or loss".

For the purposes of foreign currency retranslation, all of the Company's investments are considered to represent monetary items as all such investments are considered to be readily convertible into money, or money's worth.

B) FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are initially recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of a given instrument. Routine purchases and sales of financial instruments are recognised on the trade date. Gains and losses are recognised from that date. Interest accrued as at the date of acquisition is included within the cost of an investment and interest accrued as at the date of sale is included within the sale proceeds for an investment.

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.

Classification and measurement

The Company classifies its financial assets and financial liabilities into categories in accordance with IFRS 9.

Financial assets at fair value through profit or loss

While the Company holds the majority of its investments for long periods in order to collect the contractual cash flows arising therefrom, it will not necessarily hold its investments until maturity. Instead the Company will sell such investments if other investments with better risk/reward profiles are identified. In addition, debt investments may be purchased at a significant discount or premium to par. Furthermore, the Company reports the Estimated NAV and GAV of its investment portfolio to its investors on a monthly basis. Therefore, in the opinion of the Directors, the Company's business model as defined by IFRS 9 is to manage its investments on a fair value basis. Consequently, the Company is required to classify its investments as financial assets at fair value through profit or loss. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Derivative financial instruments – financial assets and financial liabilities at fair value through profit or loss

The Company holds derivative financial instruments to minimise its exposure to foreign exchange risks and from time to time may also hold derivative financial instruments to minimise its exposure to interest rate risks or for economic leveraging. Derivatives are classified as financial assets or financial liabilities (as applicable) at fair value through profit or loss and are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss. The fair values of derivative transactions are measured at their market prices at the reporting date.

Loan financing received under repurchase agreement

The Company has entered into a repurchase agreement ("Repo") with Société Générale ("SG") under the terms of which SG provided the Company with finance secured against a portfolio of USD CLO Debt securities. The scheduled repayment date is 18 March 2020. However, the Repo may be terminated by either party with repayment becoming due within one year. The finance proceeds received are classified as a financial liability at amortised cost and presented within current liabilities.

Collateral delivered under repurchase agreement

The Company delivered a portfolio of USD CLO Debt securities to SG as collateral under the Repo. As the Company is obliged to repurchase these securities in the future at a predetermined price that was set when the Company entered into the Repo, such securities continue to be classified as financial assets at fair value through profit or loss held by the Company and are presented in the Statement of Financial Position in the same way as all other investments held by the Company. In addition, as collateral securities may be substituted at any time, such securities continue to be valued in the same way that they would be if they were to be held outright by the Company, with no adjustment for the fact that they are held as collateral under the Repo.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

C) SHARE CAPITAL

Ordinary shares, Class B ordinary share and Class C ordinary shares (together the "Ordinary Shares")

The Company's 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 and are charged to the share premium account. The initial set-up costs of the Company were charged to the share premium account.

D) NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The net gain on financial assets at fair value through profit or loss comprises interest income on funds invested, dividend income, net realised gains and/or losses on disposal of financial assets, net positive and/or negative changes in the fair value of financial assets at fair value through profit or loss and foreign exchange retranslation gains and/or losses.

The net realised gains on financial assets at fair value through profit or loss are calculated as the difference between the total sale or redemption proceeds received, including accrued interest if applicable, and the fair value of the relevant financial asset as at the beginning of the financial year or its cost including accrued interest if purchased during the financial year.

Interest income is recognised on the due date of such income. 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.

E) 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 11.

F) TAXATION

The Company is classified as exempt for taxation purposes under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (as amended) and as such incurs a flat fee (presently GBP 1,200 per annum). No other taxes were incurred in Guernsey during the period.

G) DIVIDENDS PAYABLE

Dividends payable on the Company's shares are recognised in the Statement of Changes in Shareholders' Equity when declared by the Directors or, where applicable, when approved by the Shareholders. During the financial year, the Directors considered payment of a dividend on a quarterly basis, having regard to various considerations, including the financial position 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 (as amended).

H) 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.

I) SEGMENT REPORTING

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Board has delegated the day-to-day implementation of the Company's investment strategy to its Investment Manager, giving the Investment Manager full authority to act on behalf of the Company in its capacity as Investment Manager, including the authority to purchase and sell securities and other investments and to carry out other actions as appropriate to give effect thereto. However, the Board retains full responsibility for ensuring that the Investment Manager adheres to its mandate and may also modify the definition of what constitutes a target asset class from time to time, provided that the cash flows directly or indirectly supporting any new target asset class are derived principally from underlying assets. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Manager. Accordingly, the Board is considered to be the "Chief Operating Decision Maker" of the Company.

In the Board's opinion the Company is engaged in a single segment of business, being investment in a diversified portfolio of structured finance assets.

J) SHARE-BASED PAYMENT TRANSACTIONS

Directors receive 30% of their fees in respect of any period 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. Effective from 1 February 2017, the fair value of equity-settled share-based payment awards is based on the most recently available Estimated NAV as at the date of issuance. Prior to this date, the fair value of equity-settled share-based payment awards was based on the average closing share price for the 60 Euronext Amsterdam trading days preceding the date of issuance. These newly issued shares are recognised as a Directors' fee, with a corresponding increase in equity.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets which have been determined based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in Note 20.

All CLO Debt securities are valued using prices obtained from an independent pricing source, Pricing Direct. This valuation methodology has been adopted for valuing Volta's CLO Debt securities in the Estimated NAVs and financial reports from February 2016 to date. The prices obtained from Pricing Direct are derived from observed traded prices where these are available, but may be based upon non-binding quoted prices received by Pricing Direct from arranging banks or other market participants, or a combination thereof, where observed traded prices are unavailable. The valuation methodology applied to the Company's financial assets other than CLO Debt, fund investments (see below), CLO Warehouse and CMV is as follows: where non-binding quoted market prices are available from a third party such as the arranging bank or other market participants, financial assets are valued monthly on the basis of such market prices; where such market prices are not available, financial assets are valued monthly on a mark-to-model basis. The majority of the Company's portfolio (excluding its CLO Debt securities) is valued on the basis of non-binding quoted prices received on a monthly basis from the arranging bank or other market participants. Fund investments are valued using the NAV provided by the underlying fund administrator.

Regarding non-binding quoted prices, it is likely that the arranging bank or market participant 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. Banks and other market participants may be unwilling to disclose all or any of the key model inputs or discount rates that have been used to produce such valuations and it is currently standard market practice to withhold such information. In such circumstances, the valuation continues to be sourced from such arranging bank, or other market participant, despite the lack of information on valuation assumptions.

The Investment Manager reviews the market prices received from third parties for reasonableness against its own valuation models and may adjust the prices where such prices are not considered to represent a reliable estimation of fair value. The Investment Manager's fair value calculations for the residual and debt tranche investments in securitisation vehicles are sensitive to the following key model inputs: default rates; recovery rates; and prepayment rates. Their 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, the model assumptions will be adjusted accordingly. The discount rate used by the Investment Manager when reviewing the fair value of the Company's portfolio is subject to similar review and adjustment in light of actual experience.

For certain investments targeted by the Company, the secondary trading market may be illiquid or may sometimes become illiquid. As a result, at such times there may be no regularly reported market prices for these investments. In addition, 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). In the absence of an active market for an investment and where a financial asset does not involve an arranging bank, or another market participant that is willing to provide valuations on a monthly basis, or if an arranging bank is unwilling to provide valuations, a mark-tomodel approach has been adopted by the Investment Manager 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 (but are not limited to): 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.

An independent third party has been engaged by the Board to review the valuations and/or valuation assumptions for CLO Debt and CLO Equity tranches, which in aggregate represent a majority of the Company's investment portfolio as at 31 July 2017 (64.8% of the Company's GAV) (2016: 72.0%), and have concluded that they were fair and reasonable.

Volta's policy is to publish its Estimated NAV on a timely basis in order to provide Shareholders with appropriately up-to-date NAV information. However, the underlying NAVs as at the relevant month-end date for the fund investments held by Volta are normally available only after Volta's Estimated NAV has already been published. Consequently, such investments in funds are valued using the most recently available NAV for each fund.

As at the date of publication of its Estimated NAV as at 31 July 2017, approximately 11.2% of Volta's Estimated NAV comprised investments for which the relevant NAVs as at the month-end date were not yet available, being as at 30 June 2017 for 10.2% of Volta's Estimated NAV and as at 31 March 2017 for 1.0% of Volta's Estimated NAV. Subsequent to the Estimated NAV publication date, up-to-date NAV information was received for all such investments except for Crescent European Specialty Lending Fund and the CMV, representing 1.3% and 1.1% of Volta's NAV respectively, for which NAVs are available only as at each calendar quarter end date, with the latest available NAVs for these investments being as at 30 June 2017 as at the date of approval of these financial statements. Such investments are valued in the Statement of Financial Position using the relevant up-to-date NAV for each investment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

4. DETERMINATION OF FAIR VALUES CONTINUED

In accordance with Volta's valuation policy, the Company's GAV and NAV as at 31 July 2017 were calculated using prices received from Pricing Direct or from arranging banks or other market participants for all assets except for those assets noted below:

Asset	**% of NAV as at 31 July 2017**	% of NAV as at 31 July 2016	Valuation methodology
Investments in funds – Bank Deleveraging Opportunity Fund, St Bernard Opportunity Fund, Tennenbaum Opportunities Fund V, Bank Capital Opportunity Fund and Crescent European Specialty Lending Fund	**11.9%**	12.6%	Valued using the NAV provided by the underlying fund administrators.
SCC BBS – BBS 2015-1*, BBS 2015-2*, BBS 2015-3*, BBS 2015-4*, BBS 2016-1* and BBS 2017-1*	**8.6%**	6.8%	Discounted projected cash flow model-based valuation using discount rates within a range of 5% to 12% (2016: 5% to 12%), constant default rates within a range of 0.5% to 1.4% (2016: 0.5% to 1.1%), prepayment rates within a range of 0% to 10% (2016: 0% to 20%) and recovery rates within a range of 50% to 64% (2016: 56% to 63%).
European CLO Warehouse transaction	**4.9%**	—	This is a Warehouse transaction that is valued at the lower of: (i) the principal amount invested plus accrued income net of financing costs; and (ii) the mark-to-market value of the relevant proportion of the underlying portfolio, taking into account the probability of the success or failure of the CLO issuance, plus accrued income net of financing costs. No Warehouse transactions were held as at 31 July 2016.
Recently purchased assets	**3.7%**	2.0%	Being purchased within less than one month of the relevant reporting date, these assets were valued at cost.
ABS Residual – SANCF* and Fintake European Leasing DAC*	**2.1%**	2.3%	Discounted projected cash flow model-based valuation using a discount rate of 11% (2016: 11%) for SANCF. Fintake European Leasing DAC is still within the ramp-up phase (i.e. not yet fully invested) and as a result continues to be valued at cost.
CMV	**1.0%**	—	Valued using the NAV provided by the underlying fund administrator.
ABS Residual – ALBA 2006-2	**—**	2.3%	Sold during the year (2016: discounted projected cash flow model-based valuation using a discount rate of 8%).
CCC Equity – Promise Mobility	**—**	0.6%	Liquidated during the year (2016: discounted projected cash flow model-based valuation using a discount rate of 12% and a recovery rate of 45%).
Total as a percentage of NAV	**32.2%**	26.6%	

* The investments in SANCF, Fintake European Leasing DAC, BBS 2015-1, BBS 2015-2, BBS 2015-3, BBS 2015-4 and BBS 2017-1 are valued at the lower of the result from the discounted projected cash flow and par value plus accrued interest.

5. PUBLISHED ESTIMATED NAV RECONCILIATION AND NAV PERFORMANCE ANALYSIS

The key measure used by the Board to assess the Company's performance is the monthly Estimated NAV, which is prepared on a monthly basis together with the GAV by Sanne Group (Guernsey) Limited ("Sanne"). The published Estimated NAV includes: all of the assets in the Company's portfolio revalued to the month-end fair value, as adjusted for any amounts due to/from brokers; all of the Company's cash except for the balances that are held on the Company's accounts at Royal Bank of Scotland International ("RBSI"), which are maintained in order to facilitate the efficient payment of the Company's operating expenses and which are normally very small balances; all open derivative positions revalued to the month-end fair value, net of any margin amounts paid or received; a deduction for the liability due under the Repo, including accrued interest thereon; and an estimate of the amount payable as at the month end to the Investment Manager with respect to Management Fees and, if applicable, Performance Fees, but excludes the Company's other liabilities. The published GAV includes all of the foregoing except for the deductions for the liability due under the Repo and any accrued interest thereon and also excludes the deduction for the liability due to the Investment Manager. The Estimated NAV and the GAV are published monthly by the Company.
The table below shows a reconciliation between the Estimated NAV used by the Board and published at the year end and that contained in these financial statements.

	31 July 2017 **€**	31 July 2016 €
Published Estimated NAV	**305,126,814**	287,446,220
Adjustments:		
– Cash balances held at RBSI	**215,319**	273,133
– Prepayments of operating expenses	**10,781**	35,850
– Accruals for expenses not taken into account in the published Estimated NAV	**(293,817)**	(535,073)
– Amendments to valuations used in the published Estimated NAV	**316,062**	1,852,367
– Adjustments to valuations of investments to use the up-to-date underlying NAVs	**129,419**	207,600
NAV per Statement of Financial Position at 31 July 2017	**305,504,578**	289,280,097

On a monthly basis, in addition to the published Estimated NAV, the Investment Manager now publishes an initial estimate of Volta's Estimated NAV (the "Early Estimated NAV") on or around eight days following the relevant month-end date. The first such Early Estimated NAV was published in March 2017 with respect to the February 2017 Estimated NAV. The Early Estimated NAV is published for information purposes only in order to provide investors with more timely information.

The following table represents an analysis of NAV performance for the year ended 31 July 2017 and 31 July 2016:

	1 August 2016 to 31 July 2017 **€**		1 August 2015 to 31 July 2016 €	
NAV as at 1 August		**289,280,097**		299,188,118
Coupons and dividends income	**33,170,689**		34,697,852	
Net gains on sales of financial assets at fair value through profit and loss	**3,079,254**		2,722,843	
Unrealised movement in fair value of financial assets at fair value through profit and loss	**4,650,034**		(18,540,873)	
Net gain on financial assets at fair value through profit and loss		**40,899,977**		18,879,822
Other operating income and financing charges		**4,769,801**		(676,227)
Operating expenditure		**(6,934,690)**		(5,618,683)
Profit and total comprehensive income for the year		**38,735,088**		12,584,912
Issue of Ordinary Shares to Directors in respect of Directors' fees		**145,613**		148,339
Dividends paid in cash		**(22,656,220)**		(22,641,272)
NAV as at 31 July		**305,504,578**		289,280,097

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

5. PUBLISHED ESTIMATED NAV RECONCILIATION AND NAV PERFORMANCE ANALYSIS CONTINUED

The following table represents the net gain on financial assets at fair value through profit and loss by asset class for the year ended 31 July 2017:

	Net gains/(losses) on sales and redemptions €	**Unrealised movement in fair value €**	**Coupons and dividends €**	**Net gain on financial assets at fair value through profit and loss €**
CLO – USD Equity	**—**	**(883,986)**	**7,581,609**	**6,697,623**
CLO – EUR Equity	**336,200**	**685,341**	**6,768,197**	**7,789,738**
CLO – USD Debt	**2,500,367**	**4,877,275**	**9,476,135**	**16,853,777**
CLO – EUR Debt	**2,033,648**	**1,143,383**	**1,206,514**	**4,383,545**
CLO – CMV	**(259,079)**	**(334,265)**	**115,665**	**(477,679)**
CLO Warehouse	**—**	**(1,000)**	**490,677**	**489,677**
SCC BBS	**—**	**(1,902,679)**	**5,502,828**	**3,600,149**
CCC Equity	**(1,087,413)**	**1,177,034**	**603,090**	**692,711**
CCC Debt	**444,995**	**—**	**38,398**	**483,393**
ABS Residual	**(1,061,506)**	**(17,047)**	**1,222,340**	**143,787**
ABS Debt	**172,042**	**(94,022)**	**165,236**	**243,256**
	3,079,254	**4,650,034**	**33,170,689**	**40,899,977**

The following table represents the net gain on financial assets at fair value through profit and loss by asset class for the year ended 31 July 2016:

	Net gains/(losses) on sales and redemptions €	Unrealised movement in fair value €	Coupons and dividends €	Net gain on financial assets at fair value through profit and loss €
CLO – USD Equity	348,985	(9,549,685)	10,165,003	964,303
CLO – EUR Equity	—	(1,705,079)	4,008,256	2,303,177
CLO – USD Debt	(433,576)	(4,031,579)	7,563,141	3,097,986
CLO – EUR Debt	(208,381)	(2,073,316)	1,743,134	(538,563)
CLO Warehouse	—	—	2,332,077	2,332,077
SCC BBS	156,682	(1,674,845)	4,341,344	2,823,181
CCC Equity	—	1,583,000	1,455,213	3,038,213
CCC Debt	—	(58,569)	59,203	634
ABS Residual	2,859,133	(838,945)	2,989,290	5,009,478
ABS Debt	—	(191,855)	41,191	(150,664)
	2,722,843	(18,540,873)	34,697,852	18,879,822

6. OPERATING SEGMENTS

As explained in Note 3(i) the Board is considered to be the "Chief Operating Decision Maker" of the Company and the Company is considered to be engaged in a single segment of business, being investment in a diversified portfolio of structured finance assets.

The Company is domiciled in Guernsey. However, none of the Company's investments are domiciled in Guernsey.

The Company does not hold any non-current assets.

The Company did not hold any investments that individually represented more than 10% of the Company's income.

7. DIRECTORS' REMUNERATION AND EXPENSES

	1 August 2016 to 31 July 2017 €	1 August 2015 to 31 July 2016 €
Directors' fees (cash element)	**308,673**	388,295
Directors' fees (equity element, settled during the period)	**94,613**	115,339
Directors' fees (equity element, settled after the period end)	**37,757**	51,000
Directors' expenses	**13,547**	17,643
	454,590	572,277

8. COMPANY SECRETARIAL, ADMINISTRATION, ACCOUNTANCY AND PORTFOLIO ADMINISTRATION FEES

Sanne acts as Company Secretary, Administrator and Portfolio Administrator. Company secretarial, administration, accountancy and portfolio administration fees are incurred and billed on a time cost basis in accordance with Sanne's standard fee scales, subject to an annual cap of GBP 220,000 (2016: GBP 220,000) with respect to the activities and responsibilities as set out in the Administration, Secretarial and Portfolio Administration Agreement. Additional administration fees totalling €11,946 (2016: €nil) were incurred with respect to matters outside the scope of the Administration, Secretarial and Portfolio Administration Agreement during the current year.

9. AUDIT, AUDIT RELATED AND NON-AUDIT RELATED FEES

The audit fee for the financial year ended 31 July 2017 was €94,655 (2016: €104,711). Other than the interim review completed at a fee of €26,361 (2016: €44,949) and professional tax services provided at a fee of €1,080 (2016: €1,047), the fees for other non-audit services provided to the Company by the Auditor or its affiliates during the year were €5,858 (2016: €6,944).

10. DIVIDENDS

The following interim dividends have been declared and/or paid during the year ended 31 July 2017 and during the prior year:

	Dividend per share €
Dividend paid on 29 June 2017	0.16
Dividend paid on 30 March 2017	0.15
Dividend paid on 22 December 2016	0.16
Dividend paid on 27 September 2016	0.15
Dividend for the semi-annual period ended 31 January 2016 (paid on 19 April 2016)	0.31
Dividend for the semi-annual period ended 31 July 2015 (paid on 14 December 2015)	0.31

On 12 August 2016, the Company announced that the expected frequency of its dividend distributions would be quarterly from September 2016 onwards. The Directors consider recommendation of a dividend having regard to various considerations, including the financial position of the Company and the solvency test as required by the Companies (Guernsey) Law 2008 (as amended). Subject to compliance with Section 304 of that law, the Board may at any time declare and pay dividends.

11. EARNINGS PER SHARE ("EPS")

The calculation of the basic and diluted EPS is based on the following information:

	1 August 2016 to 31 July 2017 €	1 August 2015 to 31 July 2016 €
Profit for the purposes of basic EPS, being net profit attributable to equity holders	**38,735,088**	12,584,912
	Number	Number
Weighted average number of Ordinary Shares for the purposes of basic EPS	**36,542,152**	36,518,575
Dilutive effect of Ordinary Shares subject to warrants (expired at nil value on 31 December 2016)	—	—
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**36,542,152**	36,518,575

The average market price, based on closing prices quoted on Euronext Amsterdam, for one Ordinary Share during the year ended 31 July 2017 was €7.32 (2016: €6.58).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

	1 August 2016 to 31 July 2017 €	1 August 2015 to 31 July 2016 €
Fair value brought forward	**324,141,161**	307,310,444
Purchases	**111,374,678**	121,117,641
Sale and redemption proceeds	**(121,961,213)**	(88,468,894)
Net realised and unrealised movement in fair value, including accrued income and dividends receivable that are included in the investment fair values	**7,729,288**	(15,818,030)
Fair value carried forward	**321,283,914**	324,141,161

	1 August 2016 to 31 July 2017 €	1 August 2015 to 31 July 2016 €
Realised gains on sales of financial assets	**5,586,773**	4,861,388
Realised losses on sales of financial assets	**(2,507,519)**	(2,138,545)
Unrealised gains in fair value of financial assets	**15,420,050**	7,088,783
Unrealised losses in fair value of financial assets	**(10,770,016)**	(25,629,656)
Net realised and unrealised movement in fair value of investments	**7,729,288**	(15,818,030)

Investments subject to restrictions due to being pledged as security under the repurchase agreement, as further detailed in Note 13 below.

	31 July 2017 €	31 July 2016 €
Pledged assets	**68,742,489**	77,137,130
Unpledged assets	**252,541,425**	247,004,031
Fair value carried forward	**321,283,914**	324,141,161

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

13. LOAN FINANCING RECEIVED UNDER REPURCHASE AGREEMENT

	31 July 2017 €	31 July 2016 €
Loan financing received under repurchase agreement ("Repo")	**38,101,500**	40,275,000

The Company has entered into a Repo under the terms of which the counterparty SG provided the Company with finance through the purchase of a portfolio of USD CLO Debt securities which are subject to repurchase each quarter. Interest is payable on amounts drawn under the Repo at the relevant three-month USD Libor rate plus a margin of 1.70%. The Company initially drew down $30.0 million on 16 March 2015 and drew down a further $15.0 million on 18 September 2015. The proceeds from the Repo were principally used to purchase further USD CLO Debt securities.

As at 31 July 2017, the collateral provided by the Company under the Repo comprised USD CLO Debt securities with an aggregate market value of €68.7 million ($81.2 million). As at 31 July 2016, the collateral comprised USD CLO Debt securities with an aggregate market value of €77.1 million ($86.2 million).

The scheduled final repurchase date is 18 March 2020. However, on any business day, either the Company or SG may give notice to terminate the Repo. In such event, the collateral shall be repurchased in the following tranches: one-third after six calendar months; one-third after nine calendar months; and the final third after twelve calendar months. The Company may, at any time, submit a request to SG to substitute any pledged securities with other securities, provided that (i) such proposed securities are acceptable by SG in its sole discretion and (ii) the parties agree on the relevant base individual haircut applicable to such proposed securities.

Interest incurred under the Repo during the financial year totalled €1,105,396 (31 July 2016: €869,805) and accrued unpaid interest under the Repo as at 31 July 2017 was €143,405 (as at 31 July 2016: €114,960).

14. DERIVATIVES

Foreign exchange swaps and options are held to hedge some of the currency exposure generated by US dollar assets held by the Company (see Note 20). The hedge has been structured 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 certainty that hedging some of the currency exposure generated by US dollar assets could continue to be performed in the future in case of high volatility in the US dollar/euro cross rate. Foreign exchange derivatives are entered into with Citibank, Merrill Lynch and Crédit Agricole, with a margin requirement being applicable upon revaluation of such transactions. The balance on the margin account is included within the total value of the foreign exchange derivative transactions open as at the year end as presented in the Statement of Financial Position.

During the year, the Investment Manager utilised interest rate derivative positions on US Treasury Notes with Goldman Sachs in order to hedge against US interest rate movements and utilised short equity derivative positions as a proxy credit hedge, with a margin requirement being applicable upon revaluation of such transactions.

As at 31 July 2017, there were eight forward foreign exchange positions, sixteen foreign exchange option positions and two interest rate derivative positions open.

	31 July 2017 €	31 July 2016 €
Revaluation of foreign exchange forward and option positions:		
– Citibank	**(367,965)**	478,432
– Merrill Lynch	**171,130**	(39,380)
– Crédit Agricole	**5,190,681**	307,737
Net margin amount as at the year end:		
– Citibank	**250,000**	490,000
– Crédit Agricole	**(4,800,000)**	—
Net carrying value of foreign exchange derivative positions	**443,846**	1,236,789
Unrealised loss on interest rate derivative positions:		
– Goldman Sachs	**55,565**	—
Realised gain on interest rate and equity derivatives:		
– Goldman Sachs	**71,122**	—
Net margin amount as at the year end:		
– Goldman Sachs	**127,005**	—
Net carrying value of interest rate derivative positions	**253,692**	—
Net carrying value of derivative positions	**697,538**	1,236,789

15. TRADE AND OTHER RECEIVABLES

	31 July 2017 €	31 July 2016 €
Prepayments and other receivables	**102,287**	35,825
Interest receivable	**180,333**	1,396,553
Amounts due from brokers	**—**	3,530,418
	282,620	4,962,796

16. TRADE AND OTHER PAYABLES

	31 July 2017 €	31 July 2016 €
Investment Management Fees	**2,127,638**	1,934,696
Investment Manager Performance Fees	**1,528,163**	—
Directors' fees (cash payable)	**88,097**	119,000
Directors' fees (shares payable)	**37,756**	51,000
Amounts due to brokers	**11,470,884**	9,098,350
Accrued expenses and other payables	**349,192**	392,844
	15,601,730	11,595,890

17. SHARE CAPITAL

AUTHORISED

	31 July 2017 Number of Shares	31 July 2016 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

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, while the holders of Class C shares do not have the right to vote. Each class of share ranks pari passu with each other with respect to participation in the profits and losses of the Company.

The Class B share is identical in all respects to the Company's Ordinary Shares, except that it entitles 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 and Class C 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. Class C shares were previously issued to the Investment Manager in respect of 50% of any Performance Fees payable under the terms of the Investment Management Agreement that was effective until 31 July 2014. All of the Class C shares that were previously issued were converted to Ordinary Shares upon sale by the Investment Manager to a party unaffiliated with the Investment Manager. Consequently, no Class C shares are currently in issue, with the final remaining Class C shares converted into Ordinary Shares on 3 May 2016. There is currently no mechanism by which any Class C shares will ever be issued in the future as any Performance Fees are payable entirely in the form of cash under the terms of the Investment Management Agreement that is currently effective.

ISSUED AND FULLY PAID

	Number of Ordinary Shares in issue	Number of Class B shares in issue	Number of Class C shares in issue	Total number of shares in issue	Warrants: potential number of shares
Balance at 31 July 2015	36,001,342	1	504,717	36,506,060	3,000,000
Issued to Directors during the year	22,489	—	—	22,489	—
Conversion of Class C shares to Ordinary Shares	504,717	—	(504,717)	—	—
Balance at 31 July 2016	36,528,548	1	—	36,528,549	3,000,000
Issued to Directors during the year	19,918	—	—	19,918	—
Expiration of warrants	—	—	—	—	(3,000,000)
Balance at 31 July 2017	**36,548,466**	**1**	**—**	**36,548,467**	**—**

As at 31 July 2017, an aggregate amount of 170,560 (31 July 2016: 154,276) Ordinary Shares had been issued to the current Directors on a quarterly basis in respect of 30% of their fees. 19,918 Ordinary Shares were issued to Directors during the year. Shares were issued to the Directors in respect of their fees during the year at share prices of €6.80, €7.02 and €7.25 and at an Estimated NAV of €8.51 per share. The warrants expired at nil value on 31 December 2016.

As at 31 July 2017 and at 31 July 2016, the Company held no treasury shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

18. SHARE PREMIUM ACCOUNT

	Ordinary Shares €	Class B share €	Class C shares €	Total €
Balance at 31 July 2015	30,611,938	—	3,228,825	33,840,763
Issued to Directors during the year	148,339	—	—	148,339
Conversion of Class C shares to Ordinary Shares	3,228,825	—	(3,228,825)	—
Balance at 31 July 2016	33,989,102	—	—	33,989,102
Issued to Directors during the year	145,613	—	—	145,613
Expiry of warrants	1,410,000	—	—	1,410,000
Balance at 31 July 2017	**35,544,715**	—	—	**35,544,715**

The share premium account represents the issue proceeds received from, or value attributed to, 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 Royal Court of Guernsey (see Note 19).

The reserve balance standing to the credit of the warrants account was transferred to the share premium account upon expiry of the warrants at nil value on 31 December 2016.

19. RESERVES

	Accumulated gain €	Other distributable reserves €
At 31 July 2015	95,043,127	168,894,228
Total comprehensive income for the year	12,584,912	—
Dividends paid in cash	—	(22,641,272)
At 31 July 2016	107,628,039	146,252,956
Total comprehensive income for the year	38,735,088	—
Dividends paid in cash	—	(22,656,220)
At 31 July 2017	**146,363,127**	**123,596,736**

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

Other distributable reserves represent 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 the law prevailing at that time and the Company's Articles. However, the Companies (Guernsey) Law 2008 (as amended) 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 test as prescribed under the law and the Directors make the appropriate solvency declaration.

20. FINANCIAL RISK MANAGEMENT

The Board of Directors has established a Risk Committee to which it has delegated its responsibilities for reviewing and monitoring the effectiveness of the Company's risk management and internal control procedures pertaining to the investment portfolio. Nevertheless, the Board retains overall responsibility for the Risk Committee's activities and for the establishment and oversight of the Company's risk management framework. The Risk Committee's responsibilities and activities are described in the Risk Committee Report on page 12.

MARKET RISK

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, credit spreads 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 is reflected through movements in the value of its investments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return. The Company's strategy for the management of market risk is driven by its investment objective to preserve capital across the credit cycle 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 exposure to market risk is managed on a daily basis by the Investment Manager.

The Company seeks to mitigate market risk by pursuing where possible a diversified investment strategy involving direct and indirect investments in a number of asset types that naturally tend to involve a diversification of underlying market risk. The Company uses derivatives to manage its exposure to foreign currency risks and may also use derivatives from time to time to manage its exposure to interest rate and credit risks. The instruments used include interest rate swaps, forward contracts, futures and options. The Company does not apply hedge accounting. The Company's market positions are reviewed on a quarterly basis by the Board of Directors.

20. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION

The Company classifies 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 are 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 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 tables analyse, within the fair value hierarchy, the Company's financial assets and liabilities (by class, excluding cash and cash equivalents, trade and other receivables and trade and other payables) measured at fair value at 31 July 2017 and 31 July 2016:

	31 July 2017			
	Level 1 €	**Level 2 €**	**Level 3 €**	**Total €**
Financial assets at fair value through profit or loss: – Securities	**—**	**—**	**321,283,914**	**321,283,914**
Financial assets at fair value through profit or loss: – Derivatives	**253,692**	**443,846**	**—**	**697,538**
	253,692	**443,846**	**321,283,914**	**321,981,452**

	31 July 2016			
	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets at fair value through profit or loss: – Securities	—	—	324,141,161	324,141,161
Financial assets at fair value through profit or loss: – Derivatives	—	1,236,789	—	1,236,789
	—	1,236,789	324,141,161	325,377,950

All of the Company's investments are classified within Level 3 as they have significant unobservable inputs and they may trade infrequently. The Company has determined the fair values of its investments as described in Note 4. The sources of these fair values are not considered to be publicly available information. The Company's foreign exchange derivatives held as at the reporting date (open foreign exchange swaps and options positions) are classified within Level 2 as their prices are not publicly available but are derived from information that is publicly available. The Company's interest rate derivatives held as at the reporting date (open futures and options positions) are classified within Level 1 as their prices are publicly available.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

20. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION CONTINUED

The following table represents the movement in Level 3 instruments for the year ended 31 July 2017:

	€
Fair value at 1 August 2016	324,141,161
Purchases	111,374,678
Sale and redemption proceeds	(121,961,213)
Net gains for the period on assets sold excluding interest and coupons received	3,079,254
Unrealised movement in fair value including accrued interest and coupons	4,650,034
Fair value at 31 July 2017	**321,283,914**

The following table represents the movement in Level 3 instruments for the year ended 31 July 2016:

	€
Fair value at 1 August 2015	307,310,444
Purchases	121,117,641
Sale and redemption proceeds	(88,468,894)
Net gains for the period on assets sold excluding interest and coupons received	2,722,843
Unrealised movement in fair value including accrued interest and coupons	(18,540,873)
Fair value at 31 July 2016	324,141,161

The appropriate fair value classification level is reviewed for each of the Company's investments at each year end. Any transfers into or out of a particular fair value classification level are recognised at the beginning of the period following such re-classification at the fair value as at the date of re-classification. There were no such transfers between fair value classification levels during the year or during the prior year. All of the unrealised movements in fair value disclosed in the tables above relate to investments held as at 31 July 2017 and 31 July 2016 respectively.

SENSITIVITY ANALYSIS

In the opinion of the Directors, the following analysis gives an approximation of the sensitivity of the different asset classes to market risk as at 31 July 2017 that is reasonable considering the current market environment and the nature of the main risks underlying the Company's assets. 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. Where valuations were based upon prices received from arranging banks or other market participants, or on a NAV provided by the underlying fund administrator, the sensitivity analyses are not necessarily based upon the assumptions used by such sources as these are not made available to the Company, as explained in Note 4.

The sensitivity of the fair values of most of the assets held by the Company to the traditional risk variables is not the most relevant in the current environment. For example, the sensitivity to interest rates is interdependent with other, more significant, market variables. This analysis reflects the sensitivity to some of the most relevant determinants of the risks associated with each asset class. While 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.

CLO tranches

Two of the main risks associated with CLO tranches are the occurrence of defaults and prepayments in the underlying portfolio. The Directors believe it is reasonable to test the sensitivity of these assets to the following reasonably plausible changes to the base case scenarios, which have been derived from historically observed default rates and prepayment rates:

(i) The rate of occurrence of defaults at the underlying loan portfolio level. The base case scenario is to project defaults at circa 2.8% per year. A reasonably plausible change in the default rate is considered to be an increase to 1.5 times the base case default rate (a decrease to 0.5 times the base case default rate would have approximately an equal and opposite impact, so this is not presented in the table below). For further information, the projected impact of a change in the default rate to 2.0 times the base case default rate is also presented in the table opposite.

(ii) The rate of occurrence of prepayments is measured by the constant prepayment rate ("CPR") at the underlying loan portfolio level. The base case scenario is to project a CPR at circa 30% per year for the US and circa 25% for Europe. The Directors consider that reasonably plausible changes in the CPR would be a decrease in the CPR of the underlying loan portfolios from 30% to 15% for the US and from 25% to 10% for Europe. The impact of the CPR is approximately linear, so the impact of an opposite test would be likely to result in an equal and opposite impact.

20. FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS CONTINUED

As at 31 July 2017

Asset class	% of GAV	Impact of an increase in default rate to 1.5x historical average		Impact of an increase in default rate to 2.0x historical average		Decrease in CPR from 30% to 15% for US and from 25% to 10% for Europe	
		Price impact	Impact on GAV	Price impact	Impact on GAV	Price impact	Impact on GAV
USD/EUR CLO 1.0 Equity	3.7%	(2.5%)	(0.1%)	(4.9%)	(0.2%)	1.7%	0.1%
USD/EUR CLO 2.0 Equity	19.7%	(14.8%)	(2.9%)	(28.4%)	(5.6%)	(6.2%)	(1.2%)
USD/EUR CLO 2.0 Debt	41.4%	0.4%	0.2%	0.4%	0.2%	0.4%	0.2%
All CLO tranches	64.8%		(2.8%)		(5.6%)		(0.9%)

As at 31 July 2016

Asset class	% of GAV	Impact of an increase in default rate to 1.5x historical average		Impact of an increase in default rate to 2.0x historical average		Decrease in CPR from 30% to 15% for US and from 30% to 10% for Europe	
		Price impact	Impact on GAV	Price impact	Impact on GAV	Price impact	Impact on GAV
USD/EUR CLO 1.0 Equity	6.8%	(2.8%)	(0.2%)	(5.4%)	(0.4%)	1.9%	0.1%
USD/EUR CLO 2.0 Equity	14.5%	(17.6%)	(2.6%)	(29.0%)	(4.2%)	1.5%	0.2%
USD/EUR CLO 1.0 Debt	15.1%	(0.1%)	—	(0.1%)	—	(0.6%)	(0.1%)
USD/EUR CLO 2.0 Debt	35.6%	(4.0%)	(1.4%)	(4.2%)	(1.5%)	(0.1%)	—
All CLO tranches	72.0%		(4.2%)		(6.1%)		0.2%

As presented above, a reasonably plausible increase in the default rate in the underlying loan portfolios would be likely to have negligible impact on the debt tranches of CLO, but would be detrimental to equity tranches; a decrease in the CPR would negatively impact the debt tranches (as principal payment will occur later) and would positively impact equity tranches as shown above (in such an event excess cash flows to the equity tranches would last longer).

No useful sensitivity information can be derived for either the European CLO Warehouse or the CMV transaction at this stage.

Synthetic Corporate Credit Bank Balance Sheet transactions

The investments within this asset class (representing 13.0% of the GAV) are first-loss exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider a reasonably plausible change in the default rate to be an increase or decrease to 1.5 times or 0.5 times the historical average default rate. Such an increase in defaults would be likely to lead to a 12.6% decrease in the average prices of these assets, thereby leading to a 1.6% decrease in the GAV. An equal and opposite decrease in defaults as referred to above would be likely to lead to a 12.6% increase in the average prices of these assets, thereby leading to a 1.6% increase in the GAV.

As at 31 July 2017

Asset class	% of GAV	Impact of an increase in default rate to 1.5x historical average		Impact of a decrease in default rate to 0.5x historical average	
		Price impact	Impact on GAV	Price impact	Impact on GAV
SCC – BBS	13.0%	(12.6%)	(1.6%)	12.6%	1.6%

As at 31 July 2016

Asset class	% of GAV	Impact of an increase in default rate to 1.5x historical average		Impact of a decrease in default rate to 0.5x historical average	
		Price impact	Impact on GAV	Price impact	Impact on GAV
SCC – BBS	12.2%	(9.6%)	(1.2%)	9.6%	1.2%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

20. FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS CONTINUED

Cash Corporate Credit Equity transactions

As at 31 July 2017, the Company held two investments in this asset class (Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, representing 1.4% and 1.1% of the GAV respectively). These assets have exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider that the main risks associated with these assets are the occurrence of defaults in the underlying portfolio and/or the severity of any such defaults.

Tennenbaum has a short remaining life, given that the fund is due to mature during October 2018. Approximately 40% of its current portfolio comprises unlisted equities while the remainder comprises corporate debt positions. A sensitivity analysis is difficult to model as most of the value may be derived from the exit price the Investment Manager may be able to achieve for the assets. As such, the value of this investment is dependent on default rates and discount rates applied to the corporate debt assets and revenue and EBITDA multiples applied to the equity assets. An increase in default or discount rates may decrease the value of the investment while an increase in revenue and EBITDA multiples may increase the value of the investment.

Crescent European Specialty Lending Fund is not yet fully drawn down and is consequently not yet fully invested as at 31 July 2017. Consequently, the Directors do not believe that it is feasible to test the sensitivity of the value of this investment.

ABS Residual positions

As at 31 July 2017, the Company held two investments in this asset class (Fintake European Leasing DAC and SANCF 2014-1 Class E, representing 1.0% and 0.8% of the GAV respectively).

For Fintake European Leasing DAC, the main risk associated with this position is considered to be the level of credit losses in the underlying French leases collateral. No useful sensitivity can be derived yet as this position is still in the ramp-up phase (i.e. it is not yet fully invested).

For SANCF 2014-1 Class E, the main risk associated with this position is considered to be the rate of occurrence of prepayments in the underlying Spanish auto loans collateral. The Directors consider that an increase in the CPR at the underlying portfolio level from 10% to 20% is reasonably plausible and would be likely to decrease the price by 1.0% and decrease the GAV by an insignificant amount.

ABS Debt positions

As at 31 July 2017, the Company held one investment in this asset class (St Bernard Opportunity Fund) representing 2.2% of the GAV.

St Bernard is a complex fund and it has not been feasible for the Company to determine a simple stress test that could be implemented. Nevertheless, for the period from the inception of this fund to 31 July 2017, the average annual volatility has been 5.2% for an annualised performance of 11.8% (the respective figures over the last twelve months were volatility of 1.3% for an annual performance of 6.1%). The Investment Manager believes that this gives a reasonable indication of the risk profile of this investment.

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 their maturity or early redemption.

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 investments or the risks to which such investments are exposed may be limited. Illiquidity contributes to uncertainty about the values ascribed to investments when NAV 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 some or all of the participants in the relevant market were to experience significant business difficulties or were to suspend their market activities. This could affect both the timing and the process for assessing the value of the Company's investments.

Although the Company and its agents are able to refer to reported OTC 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 were 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 engages 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.

20. FINANCIAL RISK MANAGEMENT CONTINUED

INTEREST RATE RISK

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 CLO Equity tranches held by the Company would be negatively impacted even by a modest increase in the USD Libor or Euribor rates as these assets currently benefit from the existence of Libor and Euribor floors attached to underlying loans. Conversely, any increase in such interest rates would benefit the Company's floating rate 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 risk is advisable. During the year, the Investment Manager opened US interest rate derivative positions with Goldman Sachs to hedge against US interest rate movements.

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

It should be noted that the Company does not present an effective interest figure for its investments held and therefore does not calculate the effective interest rates applicable to its investments. In the Directors' opinion, it is not feasible to accurately estimate the effective interest rates applicable to many of the Company's financial assets. In the Directors' opinion, market interest rate risk on the Company's investments is not considered to be material when compared to the risk factors that are considered to be significant, as described in the sensitivity analyses given earlier.

CURRENCY RISK

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

The Company's policy is to partially hedge its currency risk 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 risk 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). At the end of July 2017 the Investment Manager had put into place arrangements to hedge into euro part of the 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 euro/US dollar 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 US dollar/euro cross rate is very high.

The exposures associated with the Swiss franc-denominated Synthetic Corporate Credit Bank Balance Sheet transactions are unhedged as at the end of July 2017 and at the end of July 2016 given the limited amount of exposure, representing 2.2% of GAV (2016: 2.5% of GAV).

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

Currency risk profile as at 31 July 2017

	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	112,078,738	201,353,696	—	7,851,480	321,283,914
Derivative contracts	64,986,940	(64,289,402)	—	—	697,538
Trade and other receivables	123,672	154,857	4,091	—	282,620
Cash and cash equivalents	29,341,162	6,952,465	96,272	697,242	37,087,141
Loan financing received under repurchase agreement	—	(38,101,500)	—	—	(38,101,500)
Interest payable on loan financing	—	(143,405)	—	—	(143,405)
Trade and other payables	(3,942,786)	(11,470,883)	(188,061)	—	(15,601,730)
	202,587,726	94,455,828	(87,698)	8,548,722	305,504,578

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

20. FINANCIAL RISK MANAGEMENT CONTINUED

CURRENCY RISK CONTINUED

Currency risk profile as at 31 July 2017 continued

The following foreign exchange swaps and options were unsettled as at 31 July 2017:

Description of open positions	Nominal amount USD	Average strike price $/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	**115,000,000**	**1.11**
Long position – USD calls vs. EUR	**68,500,000**	**0.99**
Short position – USD puts vs. EUR	**68,500,000**	**1.18**

	Valuation of foreign exchange derivative positions €
Aggregate revaluation gain	**4,993,846**
Margin accounts balance – amounts paid	**(4,550,000)**
Unsettled amount receivable	**443,846**

The impact of an appreciation or depreciation in foreign exchange rates on the NAV has been measured at the underlying portfolio level. The Directors consider a change in foreign exchange rates by 10% to be a reasonably plausible change.

Currency rate sensitivity as at 31 July 2017

	Impact of an appreciation in foreign exchange rates by 10%		Impact of a depreciation in foreign exchange rates by 10%	
	Price impact on NAV	Percentage impact on NAV	Price impact on NAV	Percentage impact on NAV
CHF/EUR	**854,872**	**0.3%**	**(854,872)**	**(0.3%)**
USD/EUR	**7,961,200**	**2.6%**	**(10,258,400)**	**(3.4%)**

Currency risk profile as at 31 July 2016

	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	110,449,631	198,749,110	6,535,737	8,406,683	324,141,161
Derivative contracts	63,432,129	(62,195,340)	—	—	1,236,789
Trade and other receivables	4,962,796	—	—	—	4,962,796
Cash and cash equivalents	4,167,379	5,976,992	627,245	153,585	10,925,201
Loan financing received under repurchase agreement	—	(40,275,000)	—	—	(40,275,000)
Interest payable on loan financing	—	(114,960)	—	—	(114,960)
Trade and other payables	(11,389,793)	(2,685)	(203,412)	—	(11,595,890)
	171,622,142	102,138,117	6,959,570	8,560,268	289,280,097

The following foreign exchange swaps and options were unsettled as at 31 July 2016:

Description of open positions	Nominal amount USD	Average strike price $/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	102,000,000	1.11
Long position – USD calls vs. EUR	63,000,000	1.06
Short position – USD puts vs. EUR	63,000,000	1.13

	Valuation of derivative positions €
Aggregate revaluation gain	746,789
Margin accounts balance – amounts paid	490,000
Unsettled amount receivable	1,236,789

The impact of an appreciation or depreciation in foreign exchange rates on the NAV has been measured at the underlying portfolio level. The Directors consider a change in foreign exchange rates by 10% to be a reasonably plausible change.

20. FINANCIAL RISK MANAGEMENT CONTINUED

CURRENCY RISK CONTINUED

Currency rate sensitivity as at 31 July 2016

	Impact of an appreciation in foreign exchange rates by 10%		Impact of a depreciation in foreign exchange rates by 10%	
	Price impact on NAV	Percentage impact on NAV	Price impact on NAV	Percentage impact on NAV
CHF/EUR	856,027	0.3%	(856,027)	(0.3%)
GBP/EUR	695,957	0.2%	(695,957)	(0.2%)
USD/EUR	9,062,000	3.1%	(9,046,000)	(3.1%)

CREDIT RISK AND COUNTERPARTY RISK

Credit and counterparty risk is the risk of financial loss to the Company if the 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. At the reporting date, the Company's financial assets exposed to credit risk are financial assets at fair value through profit or loss, open foreign exchange contracts, interest rate derivatives and cash and cash equivalents. The Company is exposed to counterparty risk regarding the performance of Société Générale under the terms of the Repo. The aggregate value of the Company's securities pledged as security under the Repo which are therefore exposed to such counterparty risk is disclosed in Note 13.

The positions in the CLO asset class are residual or mezzanine debt tranches of CLOs, which may suffer losses depending upon the level of losses that occur in the underlying loan portfolio and the rate at which such losses might occur. Residual tranches are the first tranche in a CLO capital structure that would suffer losses, followed by mezzanine tranches according to their relative levels of seniority. However, being term leveraged structures at a fixed margin, it is possible for residual tranches to generate more excess payments through re-investments when markets are under stress for relatively short periods than under normal circumstances. 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 can be possible to measure the principal amount of the underlying loan portfolios (defaulted loans are valued at their market value) against the principal amount of the outstanding CLO Debt tranches at any point in time.

Most currently held CLO residual positions have been issued after 2010 with a higher cost of debt than the ones issued before the crisis. In addition to being negatively exposed to an increase in default rates, to an increase in the percentage of assets rated CCC or below and to a significant decrease in underlying loan prices, these positions are much more sensitive to any spread tightening that could occur in the underlying loan portfolios compared to residual positions of CLO issued before the financial crisis. Nonetheless, the spread tightening impact can also be mitigated through a refinancing or reset of the CLO liabilities at any point in time after the end of the CLO non-call period.

As at 31 July 2017, the Company held 36 positions in debt tranches of CLOs accounting for 41.4% of Volta's end-of-year GAV. The investments in debt tranches of CLOs have been in tranches initially rated between BB (second loss position) and BBB (generally third loss position). 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 loans portfolio than residual holdings, given their second, third and even higher loss ranking.

Each asset, at the time of purchase, was expected to repay its principal in full at maturity and was expected 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.

The Company also currently has a first-loss warehouse position for a European CLO to be issued. The targeted return from this investment is in the low to mid-teens over nine months to a year. It is a five times leveraged exposure to the European leveraged loan asset class and, as such, is anticipated to benefit from the leveraged carry of the investment but is exposed to mark-to-market risk. Should the CLO market be shut down or the leveraged loan market experience a high level of volatility, some or all of the investment may be lost.

The Company is also exposed to a global Capitalised Manager Vehicle which is exposed to similar risks as CLO Equity and warehouse exposures. The targeted return from the investment is in the mid to high-teens for a six to nine-year weighted average life. In addition to the first-loss warehouse and CLO Equity risks defined above, it is also exposed to liquidity risk and to regulation risk given that a change in regulation in the US or in Europe could alter the business purpose of the entity and imply either a limited drawing of the Company's committed capital or even certain levels of restructuring costs. As it is capitalising a single entity, it is also incorporating correlation risks between the various sub-investments as well as a strong reliance on key people and processes inside each CLO manager's entity.

The ABS positions comprise three different investments: a position in a fund mainly investing in US RMBS debt tranches (St Bernard Opportunity Fund), representing 54.9% of the fair value of this asset class and 2.2% of the GAV; a junior debt position in a Spanish auto loan securitisation (SANCF 2014-1 Class E), representing 21.2% of the fair value of this asset class and 0.8% of the GAV; and one French lease's ABS Residual position (Fintake European Leasing DAC), representing 23.9% of the fair value of this asset class and 1.0% of the GAV.

During the financial period, no particular events affected any of the Company's ABS positions.

The Cash Corporate Credit assets include two positions: one loan fund (Tennenbaum) and one private debt fund (Crescent). During the financial year, the Company's residual position exposed to German SME loans (Promise Mobility) was liquidated. The Synthetic Corporate Credit bucket comprises first-loss positions in credit portfolios, representing 13.0% of the GAV. No particular events during the financial period affected the situation of these positions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

20. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT RISK AND COUNTERPARTY RISK CONTINUED

As previously stated, the Company is subject to credit risk with respect to its investments. The Company and its Investment Manager seek 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 designed to diversify credit risk by pursuing investments in assets that are expected to generate cash flows from underlying portfolios that have, in aggregate at the time of purchase, diverse characteristics such as low historical default rates and/or high expected recovery rates in the event of default and/or significant granularity.

As previously stated, the Company has entered into a repurchase agreement with Société Générale, which is over-collateralised as disclosed in Note 13. Bankruptcy or insolvency by Société Générale may cause the Company's rights with respect to the assets subject to the repurchase agreement to be delayed or limited.

Substantially all of the cash held by the Company is held at State Street Bank and Trust Company in the name of State Street Custody Services (Guernsey) Limited ("State Street"). Bankruptcy or insolvency by State Street may cause the Company's rights with respect to the cash held there to be delayed or limited. In order to limit the Company's exposure to State Street, the Board has requested that the Investment Manager should avoid holding cash balances at State Street in excess of €20 million, other than on a short-term basis if necessary. Cash in excess of this level for any significant length of time is invested in short-term money market funds, short-term government treasury bills or other cash equivalents.

The Company may invest in forward foreign currency transactions, foreign currency options, total return swaps, credit default swaps and other derivatives with various financial institution counterparties for the purposes of hedging or securing investment exposure to portfolios of diverse underlying reference obligations. The Company is exposed to counterparty credit risk in respect of these transactions. The Investment Manager employs various techniques to limit actual counterparty credit risk, including the requirement for cash margin payments or receipts for foreign currency derivative transactions on a weekly basis, or more frequently during periods of high volatility. As at the financial year end, the Company's derivative counterparties were Citibank N.A., London Branch ("Citibank"); Crédit Agricole Corporate and Investment Bank ("Crédit Agricole"); Merrill Lynch International ("Merrill Lynch"); and Goldman Sachs International ("Goldman Sachs").

The Company monitors its counterparty risk by monitoring the credit ratings of Citibank, Crédit Agricole, Merrill Lynch, Société Générale, State Street and Goldman Sachs, as reported by Standard & Poor's, Moody's or Fitch, and analyses any information that could imply deterioration in the financial position of its counterparties. The current long-term issuer credit ratings assigned to each of these counterparties are as follows:

	Credit ratings assigned by the ratings agencies as at the reporting date		
Counterparties	Moody's	Standard & Poor's	Fitch
Citibank	A1 (stable)	A+ (stable)	A+ (stable)
Crédit Agricole	A1 (stable)	A (stable)	A+ (stable)
Merrill Lynch	—	A+ (stable)	A (stable)
Société Générale	A2 (stable)	A (stable)	A (stable)
State Street Bank	Aa1 (stable)	AA- (stable)	AA+ (stable)
Goldman Sachs	A1 (stable)	A+ (stable)	A (stable)

The Company's investment guidelines establish criteria for certain investment exposures and synthetic arrangements entered into by the Company that 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.

RISK RELATING TO DERIVATIVES

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

CONCENTRATION RISK

The Company may be exposed at any given time to any one corporate credit, counterparty, industry, region, country or asset class or to particular services or asset managers (in addition to the Investment Manager). As a result it may therefore be exposed to a degree of concentration risk. However, the Board considers that the Company is, in general, very diversified and that concentration risk is therefore not significant.

Nevertheless, the Company monitors the concentration of its portfolio and from time to time and, as long as market opportunities and liquidity permit, might rebalance its investment portfolio accordingly, although there can be no assurance that it will succeed. This is because in a stressed situation, which may be characterised by high volatility in the value of the Company's assets and/or significant changes in the market expectation of default rates and/or significant changes in the liquidity of its assets, the ability of the Company to mitigate its concentration risk could be significantly affected.

As the Company invests primarily in structured finance assets, it is exposed to concentration risks at two levels: direct concentration risk from the Company's positions in particular deals/transactions and indirect concentration risk arising from the exposures underlying those positions.

20. FINANCIAL RISK MANAGEMENT CONTINUED

CONCENTRATION RISK CONTINUED

A measure of the direct exposure to certain asset types as at the reporting date is given below:

Main asset class	Detailed classification	As at 31 July 2017 % (based on GAV)	As at 31 July 2016 % (based on GAV)
CLO	USD CLO Equity	**11.9**	10.9
	EUR CLO Equity	**11.5**	10.4
	USD CLO Debt	**38.0**	40.2
	EUR CLO Debt	**3.4**	10.5
	CMV	**1.0**	—
	EUR CLO Warehouse	**4.2**	—
Synthetic Corporate Credit	Bank Balance Sheet transactions	**13.0**	12.2
Cash Corporate Credit	Cash Corporate Credit Equity	**2.4**	3.0
	Cash Corporate Credit Debt	—	1.2
ABS	ABS Residual positions	**1.8**	3.8
	ABS Debt	**2.2**	2.8
Cash	(Net of amounts due to brokers)	**10.6**	5.0

Indirect exposures to underlying concentrations can be complex and will vary by asset type and factors such as subordination. In general, the Company's investment portfolio is well diversified. The Company's principal concentration exposures are derived from its positions in CLO Equity tranches. Based on reports provided to the Investment Manager, the largest 20 underlying exposures aggregated across all the Company's CLO Equity tranches as at 31 July 2017 were as follows (exposures stated as the gross exposure of the underlying CLO collateral pool, i.e. before taking into account the effect of leverage due to the relative subordination of the CLO tranche held by the Company):

Issuer name	Industry group	Average exposure of CLO Equity tranches % of GAV
Altice Financing	Telecommunications	0.62%
Ineos Group	Chemicals	0.55%
Dell International	Computers	0.52%
Ziggo Secured Finance	Telecommunications	0.49%
TransDigm	Aerospace/defence	0.41%
Calpine	Utilities	0.39%
AI Chem & CY SCA (Monarch/Allnex)	Chemicals	0.37%
First Data Corporation	Software	0.33%
Asurion	Insurance	0.32%
ION Media Networks	Media	0.32%
Macdermid Inc.	Chemicals	0.31%
Advantage Sales & Marketing	Advertising	0.31%
Telenet Communications	Telecommunications	0.31%
Springer Science & Business	Media	0.28%
Valeant Pharmaceuticals	Pharmaceuticals	0.27%
Scientific Games	Entertainment	0.26%
Sabre Industries	Telecommunications	0.26%
Oberthur Technologies	Computers	0.26%
US Renal Care	Healthcare services	0.25%
Bass Pro Group	Retail	0.24%

Based on the current weighting of CLO Equity positions (23.4% of GAV) (2016: 21.3% of GAV), the default of one underlying loan representing 1% of all the CLO Equity underlying portfolios would cause a decline of approximately 0.75% (2016: 0.70%) of current GAV, which would occur upon liquidation of the relevant CLO Equity tranches (assuming a standard recovery rate of 70% (2016: 70%) and that CLO Equity positions represent, on average, a ten times leverage on the underlying loan portfolios). At the time of such default the impact on GAV would be mitigated by the fact that CLO Equity valuations take into account not only the liquidation value but also the ongoing payments from these positions. As a result, the Company has limited exposure to indirect concentration risk. Accumulation of defaults at the level of the underlying credit portfolios represents a greater risk to the Company.

RE-INVESTMENT RISK

Some of the Company's investments (e.g. ABS) 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 re-invest 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

20. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Many 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. In addition, the Company has entered into a Repo transaction under which a significant proportion of its most liquid assets have been provided as collateral to the Repo counterparty, as further disclosed in Note 13. Consequently, the Company would be unlikely to be able to sell these assets at short notice. In the event of such adverse liquidity conditions the Company might be unable to fund margin calls on its derivative positions and might consequently be unable to fund the payment of dividends. Liquidity risk is analysed by the Investment Manager on a daily basis and is communicated to and monitored by the Board through the quarterly business report.

MATURITY PROFILE

The following tables show the legal maturity of the securities:

Maturity profile as at 31 July 2017

	Within one year €	One to five years €	Over five years €	Total €
Financial assets				
Financial assets at fair value through profit and loss	**103,620**	**31,845,804**	**289,334,490**	**321,283,914**
Derivative contracts	**697,538**	—	—	**697,538**
Trade and other receivables	**282,620**	—	—	**282,620**
Cash and cash equivalents	**37,087,141**	—	—	**37,087,141**
	38,170,919	**31,845,804**	**289,334,490**	**359,351,213**
Financial liabilities				
Loan financing received under the Repo	**25,875,907**	**13,079,802**	—	**38,955,709**
Interest payable on loan financing	**143,405**	—	—	**143,405**
Trade and other payables	**15,601,730**	—	—	**15,601,730**
	41,621,042	**13,079,802**	—	**54,700,844**

The maturity profile for financial assets as shown in the table above and the table below is presented on a fair value basis whereas the maturity profile for financial liabilities is presented on a contractual cash flow basis. The apparent mismatch between the Company's financial assets and liabilities due within one year is not considered to represent an actual shortfall in short-term funds available to meet the Company's short-term liabilities due to the notice and repayment period provisions applicable to the Company's loan financing received under the Repo, as detailed in Note 13.

Maturity profile as at 31 July 2016

	Within one year €	One to five years €	Over five years €	Total €
Financial assets				
Financial assets at fair value through profit and loss	2,181,682	50,840,987	271,118,492	324,141,161
Derivative contracts	1,236,789	—	—	1,236,789
Trade and other receivables	4,962,796	—	—	4,962,796
Cash and cash equivalents	10,925,201	—	—	10,925,201
	19,306,468	50,840,987	271,118,492	341,265,947
Financial liabilities				
Loan financing received under repurchase agreement	27,251,576	13,745,734	—	40,997,310
Interest payable on loan financing	114,960	—	—	114,960
Trade and other payables	11,595,890	—	—	11,595,890
	38,962,426	13,745,734	—	52,708,160

RISKS RELATING TO LEVERAGED EXPOSURE

The Company's investment strategy involves a high degree of exposure to the risks of leverage. Investors in the Company must accept and be able to bear the risk of investment in a highly leveraged investment portfolio. Predominantly the leverage is provided through investment in structured leveraged instruments (embedded leverage) with no recourse to the Company's assets, but the Company may also participate in direct leverage transactions with recourse and consequent increased liquidity needs such as the USD 45 million drawn down under the Repo, as detailed in Note 13.

20. FINANCIAL RISK MANAGEMENT CONTINUED

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 gain reserve. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives. The Company 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. 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.

21. RELATED PARTIES DISCLOSURE

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER

For disclosure of Directors' remuneration, please see Note 7. As at the year end, Directors' fees to be paid in cash of €88,097 (31 July 2016: €119,000) had been accrued but not paid. Directors' fees to be paid in shares of €37,756 (31 July 2016: €51,000) had been accrued but not paid and Directors' expenses of €1,748 (31 July 2016: €161) had been accrued but not paid.

As at 31 July 2017, the Directors of the Company controlled 0.60% (31 July 2016: 0.88%) of the voting shares of the Company.

Under the Investment Management Agreement, the Investment Manager was entitled to receive a Management Fee from the Company at a rate of 1.5% per annum on the Company's NAV, calculated for each semi-annual period ending on 31 July and 31 January on the basis of the Company's NAV at the end of the preceding period and payable semi-annually in arrears. During the year, the Investment Management Fees earned were €4,141,424 (year ended 31 July 2016: €4,124,762). Investment Management Fees accrued but unpaid as at 31 July 2017 were €2,127,638 (31 July 2016: €1,934,696).

The Investment Manager was also entitled to receive a Performance Fee from the Company if the Company's NAV increased during a semi-annual period by an amount that exceeded a specified threshold ("Threshold A") and if the cumulative amount of the NAV increase, if any, over the most recent six semi-annual periods exceeded another specified threshold ("Threshold B"). The formula is set out below.

The formula was to pay Performance Fees equal to the lesser of A and B below:

- A: X% of the amount by which the NAV* increase, if any, over the latest semi-annual period exceeded Threshold A; and
- B: X% of the cumulative amount over the most recent six semi-annual periods by which the NAV* increase, if any, exceeded Threshold B (minus any Performance Fees already paid for the first five semi-annual periods).

X% is defined as 15% if the NAV plus cumulative dividends paid since the IPO as at the beginning of the period was below cumulative capital raised since the IPO, or 20% if the NAV plus cumulative dividends paid as at the beginning of the period was above cumulative capital raised. Threshold A is defined as the greater of (i) 8%** of the cumulative capital raised and (ii) 10%** of the NAV*** at the beginning of the semi-annual period.

Threshold B is defined as the greater of (i) 8%** of the cumulative capital raised and (ii) 8%** of the average NAV*** as at the beginning of each of the most recent six semi-annual periods.

* As adjusted for dividends paid in cash; new shares issued for cash; and expenses paid by issuance of shares over the period.

** Calculated on an annualised basis (ACT/ACT basis).

*** As adjusted for dividends paid in cash and new shares issued for cash.

The formula generated a Performance Fee payable to the Investment Manager based solely on the NAV performance of a single semi-annual period only if the cumulative performance over three years was greater than Threshold B. Any such Performance Fee payable was paid entirely in cash.

During the year Performance Fees of €1,528,163 were earned (year ended 31 July 2016: €nil), which were unpaid as at 31 July 2017.

As announced on 2 October 2017, the Company has agreed a revised Management Fee and Performance Fee basis with its Investment Manager, under an amended and restated investment management agreement ("IMA") which is effective from 1 August 2017.

Under the revised fee basis, AXA IM will be entitled to receive from the Company a Management Fee equal to the aggregate of:

- an amount equal to 1.5% of the lower of NAV and €300 million; and
- if the NAV is greater than €300 million, an amount equal to 1.0% of the amount by which the NAV of the Company exceeds €300 million.

The Management Fee will continue to be calculated for each six-month period ending on 31 July and 31 January of each year on the basis of the Company's NAV as of the end of the preceding period and payable semi-annually in arrears. The Management Fee payable to AXA IM will continue to be subject to reduction for investments in AXA IM Managed Products as set out in the Company's existing Investment Guidelines.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2017

21. RELATED PARTIES DISCLOSURE CONTINUED

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER CONTINUED

AXA IM will also be entitled to receive a Performance Fee of 20% of any NAV outperformance over an 8% hurdle on an annualised basis, subject to a high-water mark and adjustments for dividends paid, share issuances, redemptions and buybacks. The Performance Fee will be calculated and paid annually in respect of each twelve-month period ending on 31 July (each an "Incentive Period"). Notwithstanding the foregoing, Performance Fees payable to AXA IM in respect of any Incentive Period shall not exceed 4.99% of the NAV at the end of such Incentive Period.

The Investment Manager also acts as investment manager for the following of the Company's investments held as at the year end which together represented 18.4% of NAV as at 31 July 2017: Adagio V CLO DAC Subordinated Notes; Allegro CLO III Class D and E Notes; Allegro CLO IV Class E Notes; Bank Capital Opportunity Fund; Bank Deleveraging Opportunity Fund; Opera Structured Credit; Prelude Credit Alpha PLC; St Bernard Opportunity Fund (Series 6); and the European Warehouse position. Each of these investments is classified as AXA IM Managed Product except for Adagio V CLO DAC Subordinated Notes, which is classified as a Restricted AXA IM Managed Product.

The Investment Manager earns Investment Management Fees, including incentive fees where applicable, directly from each of the above investment vehicles, in addition to its Investment Management Fees earned from the Company. However, with respect to the Company's investments in Bank Deleveraging Opportunity Fund, Bank Capital Opportunity Fund and St Bernard Opportunity Fund, 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 such that AXA IM earns Investment Management Fees only at the level of the Company.

Due to the fact that the Company's investment in Adagio V CLO DAC Subordinated Notes is classified as a Restricted AXA IM Managed Product, AXA IM earns Investment Management Fees at the level of the Restricted AXA IM Managed Product rather than at the Company level. Therefore, it is possible for AXA IM to earn incentive fees at the level of both the Restricted AXA IM Managed Product and the Company.

Except for the Company's investments in Adagio V CLO DAC Subordinated Notes, Bank Deleveraging Opportunity Fund, Bank Capital Opportunities Fund and St Bernard Opportunity Fund, all other investments in products managed by the Investment Manager were made by way of secondary market purchases on a bona fide arm's length basis from parties unaffiliated with the Investment Manager. Therefore, the Company pays Investment Management Fees with respect to these investments calculated in the same way as if the investment manager of these deals were an independent third party.

As at 31 July 2017, AXA S.A. group investors and AXA Assurances Vie Mutuelle together held 24.9% (31 July 2016: 24.9%) of the voting shares in the Company and AXA IM held 5.5% (31 July 2016: 5.5%) of the voting shares in the Company on behalf of funds managed by AXA IM for third-party investors. AXA IM did not hold any voting shares in the Company for its own account as at 31 July 2017 and as at 31 July 2016.

22. COMMITMENTS

As at 31 July 2017, the Company had the following uncalled commitments outstanding:

- Capitalised Manager Vehicle – $16,053,333 remaining commitment from an original commitment of $20,000,000;
- Crescent European Specialty Lending Fund (a Cash Corporate Credit Equity transaction exposed to sub-investment grade corporate credits) – €3,787,825 (31 July 2016: €5,107,259) remaining commitment from an original commitment of €7,500,000; and
- Fintake European Leasing DAC (an ABS Residual transaction exposed to French leases) – €7,276,000 (31 July 2016: €7,276,000) remaining commitment from an original commitment of €10,700,000.

23. SUBSEQUENT EVENTS

As detailed in Note 21, the Company announced on 2 October 2017 that it has agreed a revised Management Fee and Performance Fee basis with its Investment Manager effective from 1 August 2017.

Since the end of the financial year, no other particular event has materially affected the Company. However, the following points are pertinent:

- the Company purchased four USD CLO Debt tranches for the equivalent of €15.5 million;
- the Company purchased one USD Synthetic Corporate Credit Bank Balance Sheet tranche for the equivalent of €6.8 million;
- three USD CLO Debt tranches were redeemed for the equivalent of €15.2 million;
- two EUR CLO Equity tranches were redeemed for the equivalent of €10.6 million;
- a further drawdown of €0.3 million was called and €0.4 million was received as a principal distribution on the Company's investment in Crescent European Specialty Lending Fund;
- a further drawdown of the equivalent of €0.7 million was called on the Company's investment in the Capitalised Manager Vehicle; and
- on 25 August 2017, the Company declared a quarterly dividend of €0.15 per share payable in September 2017, amounting to €5.5 million.

CORPORATE SUMMARY

THE COMPANY

Volta Finance Limited (the "Company" or "Volta") is a closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law 2008 (as amended) with registered number 45747. The registered office of the Company is Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG, Channel Islands.

The Company is an authorised collective investment scheme in Guernsey, pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). The Company's Ordinary Shares are listed on Euronext Amsterdam and, in addition, on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the Main Market of the London Stock Exchange ("LSE"). Volta's home member state for the purposes of the EU Transparency Directive is the Netherlands. As such, Volta is subject to regulation and supervision by the Netherlands Authority for the Financial Markets (the "Autoriteit Financiële Markten" or "AFM"), being the financial markets supervisor in the Netherlands.

INVESTMENT OBJECTIVES

The Company's investment objectives are to seek to preserve capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. Subject to the risk factors that are described in the Principal Risk Factors section and in Note 20, it seeks to attain its investment objectives predominantly through investment in a diversified portfolio of structured finance assets. The Company's 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. 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; commercial mortgage loans; automobile loans; student loans; credit card receivables; leases; and debt and equity interests in infrastructure projects (the "Underlying Assets").

The Company's approach to investment is through vehicles and arrangements that essentially provide leveraged exposure to portfolios of such Underlying Assets. In this regard, the Company reviews the investment strategy adopted by AXA IM on a quarterly basis. The current investment strategy is to concentrate on the following asset classes: CLO; Synthetic Corporate Credit; Cash Corporate Credit; and ABS. There can be no assurance that the Company will achieve its investment objectives.

THE INVESTMENT MANAGER

AXA IM is a multi-expert asset management company within the AXA Group, a global leader in financial protection and wealth management, which has a team of experts concentrating on the structured finance markets. AXA IM is authorised by the Autorité des Marchés Financiers (the "AMF") as an investment management company and its activities are governed by Article L. 532-9 of the French Code Monétaire et Financier. AXA IM was appointed as the Company's Alternative Investment Fund Manager ("AIFM") in accordance with the EU Alternative Investment Fund Management Directive ("AIFMD") on 22 July 2014.

ASSET VALUES

At 31 July 2017, the Company's NAV was €305.5 million, with the NAV per share amounting to €8.3589. The Company publishes its NAV on a semi-annual basis and publishes its GAV and Estimated NAV monthly.

NAV is an expression of the total value of the Company that 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 2017 can be seen in the Statement of Financial Position on page 29 ("Total Shareholders' equity" line).

GAV is an expression of the Company's value that takes into account the fair value of the Company's assets less the estimated amount of accrued fees payable to the Investment Manager. GAV is used as the reference against which the Company's investment restrictions are measured. Estimated NAV is an expression of the Company's value that takes into account the fair value of the Company's assets less both the amount of any debt finance owed by the Company and the estimated amount of accrued fees payable to the Investment Manager. Estimated NAV, which is published by the Company on a more frequent basis than NAV, may be a useful point of reference.

ONGOING CHARGES PERCENTAGE

The Company's ongoing charges percentage (previously commonly referred to as a total expense ratio or TER), based upon the ongoing expenses incurred during the financial year ended 31 July 2017 and the Company's net asset values as at 31 July 2017 and 31 July 2016, is 1.83%. This figure includes only the fees, charges and expenses borne directly by the Company.

DURATION

The Company has a perpetual life.

WEBSITE

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

CORPORATE SUMMARY CONTINUED

LISTING INFORMATION

The Company's Ordinary Shares are listed on Euronext Amsterdam (website: www.euronext.com) and the premium segment of the London Stock Exchange's Main Market for listed securities (website: www.londonstockexchange.com). The ISIN number of the Company's listed shares is GG00B1GHHH78 and the ticker for both markets is VTA.

As at 31 July 2017, the closing prices of the Company's listed shares were as follows:

- Euronext Amsterdam – €7.46 per share; and
- London Stock Exchange – €7.56 per share.

The Company's primary central securities depositary is CREST. Shares are eligible for settlement through the CREST and Euroclear Netherlands settlement systems.

As at 31 July 2017, so far as the Directors are aware, no person other than those listed below and those parties disclosed in Note 21 to the financial statements was interested, directly or indirectly, in 5% or more of the issued share capital in the Company:

Registered Shareholder	Number of Ordinary Shares held	Percentage of Ordinary Shares held
Euroclear Nominees Limited	20,987,305	57.4
The Bank of New York (Nominees) Limited	5,551,317	15.2
Securities Services Nominees Limited	2,000,000	5.5

Pursuant to regulatory filings: BNP Paribas S.A. held 3,875,000 Ordinary Shares amounting to 12.9% of the voting shares in the Company as at 20 December 2007; Amundi held 2,663,036 Ordinary Shares amounting to 7.4% of the voting shares in the Company as at 11 February 2015; and City Financial Investment Company held 1,089,772 Ordinary Shares amounting to 3.0% of the voting shares in the Company as at 3 March 2015. As the Company cannot be certain of the registered name under which these Shareholders hold their interests in Volta, the Company cannot currently verify whether or not such interests are represented in the above list of Shareholders holding 5% or more of the Company's issued share capital. Shareholdings held by AXA S.A. group investors, AXA Assurances Vie Mutuelle and AXA IM are disclosed in Note 21 to the financial statements.

None of the above Shareholders have Shareholder rights that are different from those of other holders of the Company's Ordinary Shares, except for the holder of the Class B share, an affiliate of AXA S.A., which has the right to appoint a Director to the Board.

PROVISIONAL FINANCIAL CALENDAR

20 October 2017	Announcement of results for the financial year ended 31 July 2017 and publication of the 2017 annual report
28 November 2017	Annual General Meeting

LEGAL AND REGULATORY DISCLOSURES

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFM DIRECTIVE" OR "AIFMD")

The AIFM Directive seeks to regulate managers (''AIFMs'') of alternative investment funds (''AIFs'') that are marketed or managed in the European Economic Area. In compliance with the AIFMD, the Company has appointed AXA IM to act as its AIFM and has appointed State Street Custody Services (Guernsey) Limited ("SSCSGL") to act as its Depositary.

AXA IM is authorised to act as the Company's AIFM by the Autorité des Marchés Financiers (the "AMF") in France. In order to maintain such authorisation and to be able to continue to undertake this role, AXA IM is required to comply with various obligations prescribed under the AIFMD. In conformity with Article 53 of the Commission delegated regulation (EU) No. 231/2013, AXA IM has established appropriate policies and procedures regarding the credit risk of each of the structured credit positions (positions arising from the securitisation of underlying exposures) held by Volta, in order to monitor information regarding the performance of the underlying exposures on a timely basis and to manage such credit risk where applicable and possible. Such policies and procedures are considered as being appropriate to the risk/return profile of these positions. AXA IM also regularly implements stress tests on these positions.

Information on the investment strategy, geographic and sector investment focus, and principal exposures is included in the Investment Manager's Report and Note 20 to the financial statements. None of the Company's assets are subject to special arrangements arising from their illiquid nature. Note 20 to the financial statements sets out the risk profile and risk management systems in place.

Certain regulatory changes have arisen from the implementation of the AIFMD that may in some circumstances impair the ability of the Investment Manager to manage the investments of the Company and this may adversely affect the Company's ability to carry out its investment strategy and achieve its investment objectives. In addition, the AIFMD may limit the Company's ability to market future issuances of its shares in some EU jurisdictions. Certain EU member states may impose stricter rules or interpretations of the AIFM Directive on the AIFM in respect of the marketing of shares than those either required under the AIFMD or as interpreted by other EU member states, as the Company is a non-EU AIF. The Board and the Company's advisors will continue to monitor implications of the AIFM Directive.

STAFFING AND REMUNERATION DISCLOSURES REGARDING THE AIFM

REMUNERATION PAID FOR THE CALENDAR YEAR 2016 TO ALL STAFF EMPLOYED BY THE AIFM, SPLIT INTO FIXED AND VARIABLE REMUNERATION PAID

	Total
Fixed remuneration (€ million)	62.1
Variable remuneration (€ million)	43.7
Number of staff	918

AGGREGATE REMUNERATION PAID FOR THE CALENDAR YEAR 2016 TO SENIOR MANAGEMENT AND MEMBERS OF STAFF WHOSE ACTIONS HAVE A MATERIAL IMPACT ON THE RISK PROFILE OF VOLTA

	Senior management	Other members of staff with material impact	Total
Fixed remuneration (€ million)	2.8	13.3	16.1
Variable remuneration (€ million)	10.9	18.0	28.9
Number of staff	16	111	127

NOTES:

The population is based on all current employees of AXA Investment Managers Paris.

Senior management includes Board members and other senior management.

"Other members of staff with material impact" includes those in control functions and other investment management functions.

Fixed remuneration is composed of base salary and any other fixed allowances paid for the year ended 31 December 2016.

Variable remuneration is awarded in 2017 in relation to performance year 2016.

Variable remuneration is composed of discretionary total variable pay (including immediate cash and deferred remuneration) and discretionary AXA Group long-term incentives.

All remuneration information is exclusive of social charges.

LEGAL AND REGULATORY DISCLOSURES CONTINUED

COMMON REPORTING STANDARD

On 13 February 2014, the Organisation for Economic Co-operation and Development released the "Common Reporting Standard" ("CRS") designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. To date, over 100 jurisdictions have signed the multilateral competent authority agreement ("Multilateral Agreement") that activates this automatic exchange of FATCA-like information in line with the CRS. Pursuant to the Multilateral Agreement, certain disclosure requirements may be imposed in respect of certain investors in the Company who are, or are entities that are controlled by one or more, residents of any of the signatory jurisdictions. It is expected that, where applicable, information that would need to be disclosed will include certain information about investors, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. Both Guernsey and the UK have signed up to the Multilateral Agreement, but the US has not signed the Multilateral Agreement.

A number of jurisdictions (including Guernsey) have pledged to work towards the first information exchanges taking place by September 2017; these are known as the "Early Adopters". Further jurisdictions will be exchanging information for the first time by September 2018 and these will be known as the "Fast Followers".

As a consequence of the regulations introduced by the States of Guernsey to implement the CRS, the Company is required to report certain tax information to the Guernsey income tax office in respect of investors resident in other CRS participating jurisdictions. That information will be transmitted by the Guernsey income tax office to the relevant foreign tax authorities.

The Company may require that members provide, and the Company (and any authorised third-party agent or delegate of the Company) shall be entitled to use and disclose, any information or documentation in relation to members and, if and to the extent required, the direct and indirect beneficial owner(s) (if any) of shares in the Company held by members (if any), as may be necessary or desirable for the Company to comply with any reporting or other obligations and/or prevent or mitigate the withholding of tax under relevant law or other law.

The Board continues to monitor developments in the rules and regulations arising from the implementation of CRS in conjunction with its tax advisors.

SECURITIES FINANCING TRANSACTIONS REGULATIONS

Under EU Regulation (2015/2365), which is commonly referred to as the Securities Financing Transactions Regulations ("SFTR"), the Company is required to make certain disclosures to investors. The SFTR defines a Securities Financing Transaction ("SFT") as any transaction where securities are used to borrow cash. Therefore, the Repo transaction entered into by the Company, which is described in detail in Note 13 to the financial statements, is classified as an SFT.

Under the Repo, SG acquires legal title to the assets held as collateral and therefore holds such assets at its own custodian and receives all coupons on the collateral. However, the Company retains a beneficial interest in the collateral whereby SG has agreed to pay all coupons received on the collateral to the Company and has agreed to sell the collateral back to the Company at predetermined prices.

The Company considers that its total lendable assets comprises all of its investments in CLO Debt securities which totalled the equivalent of €148,762,188 as at 31 July 2017. The Company utilises a portion of its portfolio of CLO Debt securities as collateral (€68,742,489 or 46.2% of the Company's total lendable assets as at 31 July 2017) and considers such all such collateral to be liquid assets. Information regarding the CLO Debt securities held by the Company are published monthly on the Company's website in its Portfolio Composition report. All other disclosures that the Company is required to make under SFTR are provided in the Report of the Directors and Note 13 to the financial statements.

BOARD OF DIRECTORS

01

04

02

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03

BOARD OF DIRECTORS CONTINUED

01. GRAHAM HARRISON

INDEPENDENT DIRECTOR

Mr Harrison is co-founder and Group Managing Director of ARC Group Limited, a specialist investment advisory and research company. ARC was established in 1995 and provides investment advice to ultra-high net worth families, complex trust structures, charities and similar institutions. Mr Harrison has fund board experience spanning a wide range of asset classes including hedge funds, commodities, property, structured finance, equities, bonds and money market funds. Prior to setting up ARC, he worked for HSBC in its corporate finance division, specialising in financial engineering. Mr Harrison is a Chartered Wealth Manager and a Chartered Fellow of the Chartered Institute of Securities and Investment. He holds a BA in Economics from the University of Exeter and an MSc in Economics from the London School of Economics.

02. STEPHEN LE PAGE

INDEPENDENT DIRECTOR

Mr Le Page was a partner with PricewaterhouseCoopers in the Channel Islands from 1994 until September 2013. During his career with that firm he worked with many different types of financial organisation as both auditor and advisor, and he also served as the senior partner of the firm, effectively carrying out the role of chief executive and leading considerable growth in the business. Mr Le Page is a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Tax Advisor. He is a past president of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey International Business Association. Mr Le Page holds a number of other non-executive roles.

03. PAUL MEADER

CHAIRMAN AND INDEPENDENT DIRECTOR

Mr Meader is an independent director of investment companies, insurers and investment funds. Until the autumn of 2012 he was Head of Portfolio Management for Canaccord Genuity, based in Guernsey, prior to which he was Chief Executive of Corazon Capital, Guernsey. He has nearly 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon Capital he was Managing Director of Rothschild's Swiss private banking subsidiary in Guernsey. Mr Meader is a Chartered Fellow of the Chartered Institute of Securities & Investments, a past Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford.

04. ATOSA MOINI

INDEPENDENT DIRECTOR

Ms Moini retired from Goldman Sachs International in September 2016 where she was Head of Origination and Distribution of Asset-backed Products and Loans in EMEA and previous to that she was Co-Head of EMEA Credit Sales. Ms Moini was also a member of the Securities Division Client and Business Standards Committee. Ms Moini has extensive product origination and distribution experience across a wide range of asset classes including corporate and leverage loans, corporate bonds, CLOs and asset-backed products in the real estate, transportation and renewable energies sectors. Ms Moini has an MBA from the London Business School and a BA Honours Degree in Industrial Engineering from the University of Surrey.

05. PAUL VAROTSIS

SENIOR INDEPENDENT DIRECTOR

Mr Varotsis was a partner at Reoch Credit Partners LLP until March 2011 where he worked as a consultant for financial institutions and advised 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.

MANAGEMENT, ADMINISTRATION AND ADVISORS

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(Guernsey, Channel Islands)

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INDEPENDENT AUDITOR
KPMG CHANNEL ISLANDS LIMITED
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey GY1 1WR
Channel Islands

LISTING AGENT (EURONEXT AMSTERDAM)
ING BANK N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

REGISTRAR
COMPUTERSHARE INVESTOR SERVICES (GUERNSEY) LIMITED
C/o Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES
Channel Islands

GLOSSARY

Definitions and explanations of methodologies used:

"ABS"	asset-backed securities.
"AGM"	Annual General Meeting.
"ABS Residual positions"	residual income positions, which are a sub-classification of ABS, being backed by any of the following: residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; or leases.
"AIC"	the Association of Investment Companies, of which the Company is a member.
"AIC Code"	the AIC Code of Corporate Governance for Guernsey Companies.
"AFM"	the Netherlands Authority for the Financial Markets (the "Autoriteit Financiële Markten" or "AFM"), being the financial markets supervisor in the Netherlands.
"AIFM"	Alternative Investment Fund Manager, appointed in accordance with the AIFMD.
"AIFMD"	the Alternative Investment Fund Managers Directive.
"Articles"	the Articles of Incorporation of the Company.
"AXA IM"	AXA Investment Managers Paris S.A.
"Bank Balance Sheet transactions"	synthetic transactions that permit banks to transfer part of their exposures such as exposures to corporate loans, mortgage loans, counterparty risks, trade finance loans or any classic and recurrent risks banks take in conducting their core business.
"Beta"	a security's beta is a measure of the volatility of the security compared to the volatility of the relevant market.
"Board"	the Board of Directors of the Company.
"Cash Corporate Credit" deals	structured credit positions predominantly exposed to corporate credit risks by direct investments in cash instruments (loans and/or bonds).
"Cenkos"	Cenkos Securities plc.
"CLOs" or "CLO"	Collateralised Loan Obligations.
"CLO 1.0"	Collateralised Loan Obligations issued from 2004 (or earlier) up to 2009.
"CLO 2.0"	Collateralised Loan Obligations issued from 2010 to date.
"Capitalised Manager Vehicle" or "CMV"	a CMV is a long-term closed-ended structure which is established to act as a CLO manager and to also provide capital in order to meet risk retention obligations when issuing a CLO and also to provide warehousing capabilities.
"Discount"	calculated as the NAV per share as at 31 July 2017 less Volta's closing share price on Euronext Amsterdam as at that date, divided by the NAV per share as at that date.
"Dividend yield"	calculated as total dividends paid during the financial period divided by the share price as at 31 July 2017.
"Euronext Amsterdam"	Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.
"Estimated NAV"	full details of Volta's Estimated NAV calculation methodology are presented on pages 37 and 38.
"Financial year"	the period from 1 August 2016 to 31 July 2017.
"FRC"	Financial Reporting Council (United Kingdom).

"GAV"	the GAV calculation methodology is described in Note 5 on pages 37 and 38.
"IRR"	internal rate of return.
"Memorandum"	the Memorandum of Incorporation of the Company.
"NAV"	net asset value.
"NAV performance"	calculated as the increase in the published Estimated NAV per share plus the total dividends paid per share during the financial year, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at 31 July 2017.
"Projected portfolio IRR"	calculated as the projected future return on Volta's investment portfolio as at 31 July 2017 under standard AXA IM assumptions, after taking into account the effect of direct leverage from the Repo on the overall investment portfolio returns.
"QE"	quantitative easing.
"Repo"	repurchase agreement entered into with Société Générale ("SG").
"RMBS"	residential mortgage-backed securities, which are a sub-classification of ABS.
"semi-annual periods"	the period from 1 August 2016 to 31 January 2017 and/or the period from 1 February 2017 to 31 July 2017.
"Share" or "Shares"	all classes of the shares of the Company in issue.
"Share price performance"	the percentage increase or decrease in the share price on Euronext Amsterdam plus the total dividends paid per share during the financial year, with such dividends re-invested in the shares. Obtained from Bloomberg using the TRA function.
"Sharpe Ratio"	the Sharpe Ratio is a measure of risk-adjusted return and is calculated as the average return earned, based on the published monthly Estimated NAVs as adjusted for dividends paid, in excess of three-month Euribor, as an assumed risk-free rate, per unit of volatility or total risk (measured as the standard deviation of the adjusted monthly Estimated NAVs).
"SME"	small and medium-sized enterprises.
"Synthetic Corporate Credit" deals	structured credit positions predominantly exposed to corporate credit risks by synthetic contracts.
"Underlying Assets"	the underlying assets principally targeted for direct and indirect investment (collectively, the "Underlying Assets") consist of corporate credits (investment grade, sub-investment grade and unrated); sovereign and quasi-sovereign debt; residential mortgage loans; commercial mortgage loans; automobile loans; student loans; credit card receivables; and leases.
"US GAAP"	Generally Accepted Accounting Principles in the United States of America.
"Warehouse"	a Warehouse is a short-term structure put in place before a CLO happens in order to accumulate assets in order to facilitate the issue of the CLO. A Warehouse is leveraged and can be marked to market.
"WARF"	weighted average ratings factor, giving an indication of the probability of default.
"WAL"	weighted average life.

NOTICE OF MEETING
FOR THE YEAR ENDED 31 JULY 2017

VOLTA FINANCE LIMITED
A closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) 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 ELEVENTH ANNUAL GENERAL MEETING OF THE COMPANY
In accordance with the Company's Articles of Incorporation (the "Articles"), notice is hereby given that the eleventh Annual General Meeting of the Company will be held at the Company's registered office, Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG, Channel Islands, at 10:00am (London time) on 28 November 2017.

AGENDA
ORDINARY BUSINESS
To consider and, if thought fit, pass the following as Ordinary Resolutions:

(1) To adopt the audited financial statements of the Company for the year ended 31 July 2017, including the reports of the Directors of the Company (the "Directors") and the Auditor (the "Accounts").

(2) To re-appoint KPMG Channel Islands Limited of Glategny Court, Glategny Esplanade, St Peter Port, Guernsey GY1 1WR as the Company's Auditor to hold office until the conclusion of the next AGM.

(3) To authorise the Board to negotiate and fix the remuneration of the Auditor in respect of the year ending 31 July 2018.

(4) To re-elect Graham Harrison as an Independent Director of the Company. Mr Harrison has been a Director of the Company since October 2015. For further information on Mr Harrison, please refer to page 60 of the annual report.

(5) To re-elect Stephen Le Page as an Independent Director of the Company. Mr Le Page has been a Director of the Company since October 2014. For further information on Mr Le Page, please refer to page 60 of the annual report.

(6) To re-elect Paul Meader as an Independent Director of the Company. Mr Meader has been Chairman of the Company since November 2015. Prior to that he had been a Director of the Company since May 2014. For further information on Mr Meader, please refer to page 60 of the annual report.

(7) To elect Atosa Moini as an Independent Director of the Company. Ms Moini was appointed as a Director of the Company on 19 June 2017. For further information on Ms Moini, please refer to page 60 of the annual report.

(8) To re-elect Paul Varotsis as an Independent Director of the Company. Mr Varotsis has served as the Company's Senior Independent Director since December 2015 and has served on the Board since its inception in 2006. For further information on Mr Varotsis, please refer to page 60 of the annual report.

(9) To approve the quarterly dividend payments each March, June, September and December and to note that the following dividends should be considered as relating to the financial year ended 31 July 2017: the quarterly dividend of €0.15 paid on 30 March 2017; the quarterly dividend of €0.16 paid on 29 June 2017, the quarterly dividend of €0.15 paid on 28 September 2017 and the quarterly dividend of €0.16 payable in December 2017.

SPECIAL RESOLUTIONS
To consider and, if thought fit, pass the following as Special Resolutions:

(10) THAT in accordance with Article 5(7) of the Articles, the Board be and is hereby authorised to issue equity securities (within the meaning of the Articles) as if Article 5(2) of the Articles did not apply to any such issue, provided that this power shall be limited to the issue of up to a maximum number of 3,655,297 Ordinary Shares (being not more than 10% of the number of Ordinary Shares in issue as at the date of this notice) or such other number being not more than 10% of the Ordinary Shares in issue at the date of the AGM, whether in respect of the sale of shares held as treasury shares, the issue of newly created shares or the grant of rights to subscribe for, or convert securities into, shares which, in accordance with the Listing Rules, could only be issued at or above net asset value per share (unless offered pro rata to existing Shareholders or pursuant to further authorisation by Shareholders). This authority will expire on the conclusion of the next AGM of the Company unless previously renewed, varied or revoked by the Company at a general meeting, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired. For further information, please see Note 10 overleaf.

AGENDA CONTINUED

SPECIAL RESOLUTIONS CONTINUED

(11) THAT the Company be generally and unconditionally authorised to make market purchases, for the purposes of Section 315 of the Companies (Guernsey) Law, 2008 (as amended), of Ordinary Shares in the Company on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be acquired is 5,479,291, representing not more than 14.99% of the issued Ordinary Share capital of the Company as at the date of this notice;

(b) the minimum price (excluding expenses) payable by the Company for each Ordinary Share is 1% of the average of the mid-market values of the Ordinary Shares of that class in the Company for the five business days prior to the date of the market purchase;

(c) the maximum price (excluding expenses) which may be paid for any such Ordinary Share is the higher of (i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share in the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the amount stipulated by Article 3(2) of the EU Buy-back and Stabilisation Regulation (2016/1052/EU) being the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this resolution will be carried out (provided that limb (ii) shall not apply where the purchases would not bear the risk of breaching the prohibition on market abuse);

(d) the authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting; and

(e) the Company may make a contract to purchase the Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its Ordinary Shares in pursuance of any such contract.

NOTES

1. The Company's Accounts were published on 20 October 2017.
2. Copies of the Company's Memorandum and Articles of Incorporation and its 2017 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, Sanne Group (Guernsey) Limited, Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WD, Channel Islands (e-mail: voltafinance@sannegroup.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. Only those investors holding Ordinary Shares as at 10:00am (London time) on 24 November 2017 shall be entitled to attend and/or exercise their voting rights attached to such shares at the AGM.
4. Investors holding Ordinary Shares via a broker/nominee who wish to attend or to exercise the voting rights attached to the shares at the AGM should contact their broker/nominee as soon as possible.
5. Should the Class B Shareholder being entitled to vote wish to attend or exercise the voting rights attached to the share at the AGM they should contact the Company Secretary as soon as possible.
6. A Shareholder who is entitled to attend, speak and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.
7. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
8. The quorum requirements for the conduct of Ordinary Business and Special Business are set out under Article 17 of the Articles.
9. In accordance with the Articles, the notice period for an AGM of the Company is 21 clear calendar days (plus 24 hours deemed service of notice).
10. Article 5 of the Articles requires that where Ordinary Shares are issued, or rights to subscribe for, or convert any securities into, Ordinary Shares are granted, wholly for cash, or where Ordinary Shares are sold out of treasury wholly for cash, either Shareholder approval must be sought to make a non-pre-emptive offer or a pre-emptive offer must be made to all existing Shareholders.

For and on behalf of

SANNE GROUP (GUERNSEY) LIMITED
COMPANY SECRETARY
19 OCTOBER 2017

Produced by
designportfolio

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