



**VOLTA FINANCE LIMITED**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS 2021**

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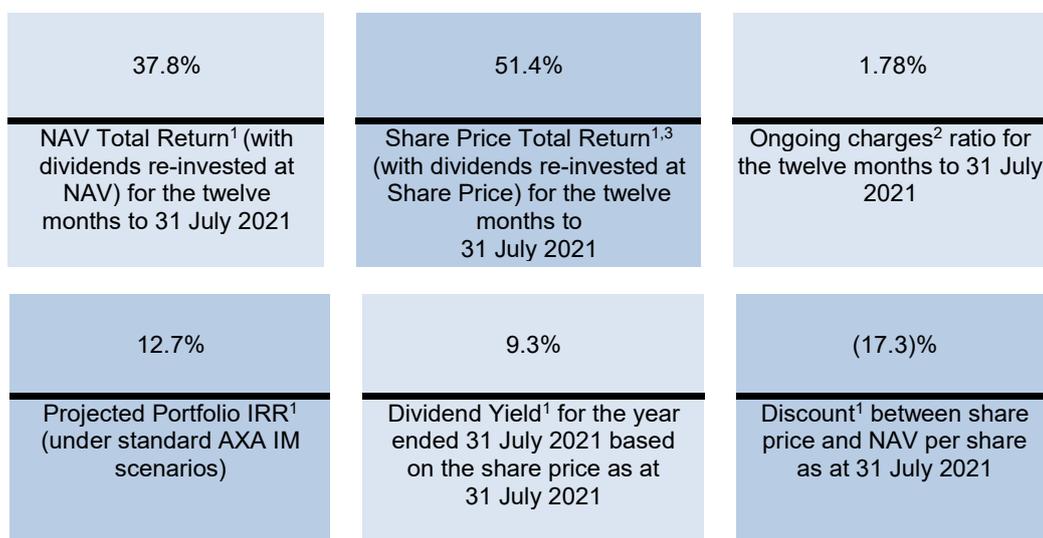
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# VOLTA AT A GLANCE

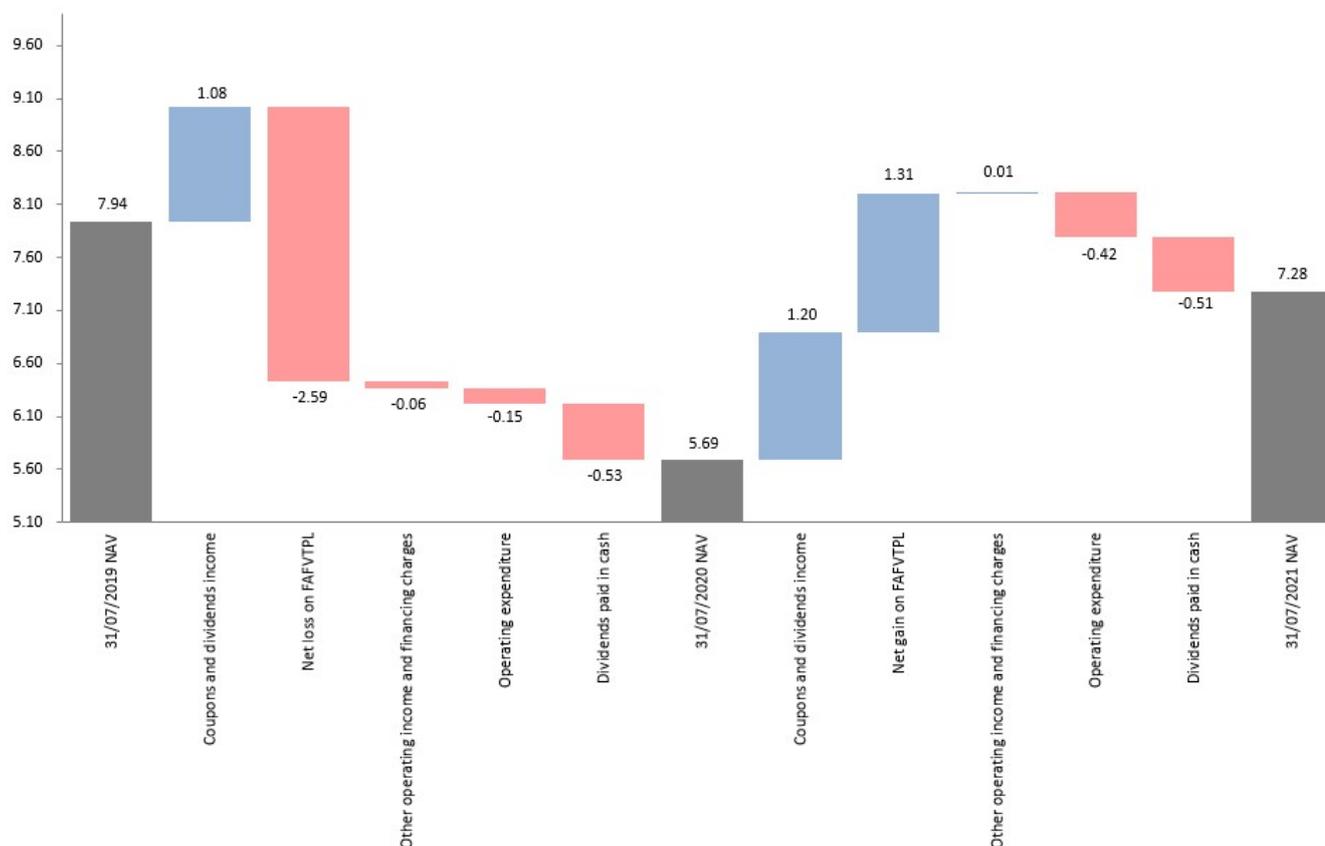
The investment objectives of the Company are to preserve its capital across the credit cycle and to provide a stable stream of income to its Shareholders through dividends that it expects to distribute on a quarterly basis. Volta currently seeks to achieve its investment objectives by pursuing exposure predominantly to CLO's and similar asset classes. A more diversified strategy across structured finance assets may be pursued opportunistically. Volta measures and reports its performance in Euro.

- NAV per share as at 31 July 2021: € 7.2807
- Dividend per share for the twelve months to 31 July 2021: €0.51
- Share price as at 31 July 2021: €6.02

## Key performance indicators



## NAV performance analysis for the years ended 31 July 2021 and 31 July 2020 – contributions to NAV change (Euro per share)



<sup>1</sup>Refer to the glossary on pages 82 and 83 for an explanation of the terms used above and elsewhere within this report.

<sup>2</sup>The Company's ongoing charges are calculated according to the methodology outlined on page 74 and differs to the costs disclosed within the Company's KIDs which follow the methodology prescribed by EU PRIIPs rules. The Company's most current KIDs are available on the Company's website.

<sup>3</sup>Source: Bloomberg

# CHAIRMAN'S STATEMENT

Dear Shareholder

I am pleased to report further strong performance in the second half of the Company's financial year, building upon the exceptional gains of the first half. The net asset value ("NAV") total return for the six months ending 31 July 2021 was 9.2%, with share price returns almost exactly in line, thus bringing the total NAV return for the financial year to 37.8% and the share price total return to 51.4%.

To a significant extent the recovery in the Company's NAV and share price reflects the tide that floats all boats. Economic and fiscal support by governments and central banks has continued at pace and buoyed all assets. By way of example, US equities, measured by the S&P500 total return index, rose a similar 36.5% during the Company's financial year. The recovery has been rapid and unprecedented and valuations of many assets are rather heady. This must act as something of a headwind in due course. That is not to predict that any market will fall any time soon but it seems highly probable that broad asset class returns over the medium to long term will be below historical norms because risk premia have become so compressed. That is as true for many credit assets as it is for equities. So Volta faces some of those headwinds, just like others. However, I believe that there are also reasons to be optimistic for Volta's share price over the medium term. Given that we live in a world starved of yield and facing a reduction in the massive support from the authorities, it is worth reflecting upon why that might be.

Firstly, yields have compressed less in the CLO markets than in many other areas of the credit markets. In part this is what drives the record level of cash flows currently being received by the Company. I make no apology for repeating myself regularly in relation to this factor because I believe that the cash flows that we are due to receive from our holdings are fundamental to understanding the medium to long term return prospects for the Company. It is these cash flows that produce shareholder returns, not the vagaries of the short term mark-to-market pricing of our assets. Key to our cash flows is loan defaults. Current default rates are very low and, whilst some creeping higher seems inevitable, a rise to levels that would meaningfully challenge the Company's cash flows seems unlikely in the foreseeable future. Taking standard historical default rates, the expected IRR of the Volta portfolio is 12.7%.

In addition, our investment manager, AXA IM Paris, through its scale in the structured finance markets, has been successful in building control positions in a number of our CLO holdings. This has allowed them to be able to control the reset and refinance of a number of our CLO equity positions to the significant benefit of present and future returns. It seems likely that AXA IM will be able to continue this process on further CLO equity positions, accruing additional benefit. The nature of the process means that whilst there is some short term uplift into the NAV from this process, this is relatively modest. The real harvest is seen over the medium term. AXA IM estimates that the refi/reset processes should embed around 1% to 2% of additional NAV return per annum over the coming years.

This enhanced return combined with the highly attractive dividend stream of 8% per annum (approximately 9.3% based on the share price as at 31 July 2021) makes for a compelling investment case. As I always caveat, we are subject, of course, to the vagaries of economies, sentiment and markets. But the Company appears attractive relative to other investment opportunities, especially at its current share price discount to NAV of around 15%.

One of the reasons underpinning our strong cash flow receipts is the increasing concentration of the portfolio in CLO equities. AXA IM shifted the portfolio towards CLO equities several years ago, to good effect. At recent Board strategy discussions, AXA IM confirmed that CLOs remain attractive relative to other structured finance assets. AXA IM expect to continue to reinvest the proceeds of our other assets into CLOs over time with a view to CLOs representing the overwhelming majority of the portfolio in due course. Furthermore, the proportion allocated to CLOs managed by AXA's US and European teams is also expected to grow over time. AXA's CLO team is increasingly recognised as a global leader. As Volta's management fee is waived on its allocation to primary AXA IM product, this is a double benefit for Shareholders. The Board has debated these proposals at length with AXA IM and are very supportive of this shift in orientation. It is logical from the perspective of risk and return within the portfolio but also brings some welcome simplification of what, on occasions, could be a complex mandate. This reorientation will not prohibit AXA IM from allocating to other structured finance assets aside from CLOs in future. But the best way of thinking about this, in my view, is that the bar has been set much higher for other assets to earn a place in our portfolio: CLOs, and CLO equity in particular, are likely to predominate.

Before closing, there are two more things that I would like to touch upon. The first is an update on the use of ESG criteria in structured finance and in our portfolio. As I noted in my report last year, AXA IM have been at the forefront of implementing ESG criteria into structured finance assets. This is not easy but it is important. We welcome their engagement on the matter, more on which is outlined in their report on page 8 and 9. I would encourage you to read this.

The other is both to welcome Dagmar Kent Kershaw to the Board and to thank Paul Varotsis, who is retiring as a director shortly. We are delighted that we were able to attract someone of Dagmar's expertise and standing in the industry. Dagmar joined the Board on 30th June this year and is already making a very positive contribution to our discussions. She does, however, have big shoes to fill. Paul Varotsis will not be standing for re-election at the forthcoming Annual General Meeting in early December. A seasoned veteran of the structured finance markets, he has guided and challenged as an independent director since the inception of the Company. He has always done this calmly, effectively and with good humour. I know that I speak for all of the Board, and for AXA IM as well, in thanking him: we will miss him and his wise counsel on both a professional and a personal level. Following Paul's retirement, Steve le Page will be appointed as Senior Independent Director.

## CHAIRMAN'S STATEMENT (CONTINUED)

In closing, I am very aware that the extraordinary circumstances of the last 18 months have limited the extent to which we have all been able to meet face to face. With my fingers crossed, it seems that this is now changing for good. So, I would encourage you to make contact through the Company Secretary as I would welcome the opportunity to meet with any Shareholders. My colleagues and I appreciate your continued support and I look forward to reporting to you again in the spring.

Paul Meader  
*Chairman*  
27 October 2021

# INVESTMENT MANAGER'S REPORT

At the invitation of the Board, this commentary has been provided by AXA Investment Managers ("AXA IM") Paris as Investment Manager of Volta. This commentary is not intended to, nor should be construed as, providing investment advice. Potential investors in the Company should seek independent financial advice and should 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.

## KEY MESSAGES FROM THE INVESTMENT MANAGER

### Commentary on Performance

At the time of writing, we are 18 months after the worst of the COVID-19 crisis. Volta is showing the benefits of the strategy which has been pursued over the last three years. Deciding to increase the share of CLO equities, at the detriment of non-CLO positions, was the right thing to do when considering the following:

- The amount of cash flow Volta received from its assets has never been so high
- The overall performance over the last few years (even including the cost of the COVID-19 crisis) has been good: +10.5% (6.2% annualized) since end of November 2019 for the NAV
- Volta was able to maintain its dividend policy (paying a quarterly dividend in the region of 8% to the NAV)

As at the end of July 2021, CLO positions represent close to 85% of Volta's assets and we continue to invest in both CLO equity and CLO debt in order to continue to transform Volta to make Volta more attractive and comprehensive for investors. Our conviction is that part of the discount at which Volta's shares are trading, relative to the published monthly NAV, is due to the difficulty for some investors to embrace the variety of assets in which Volta was investing for more than a decade. Being an almost pure CLO fund, while maintaining the flexibility and the opportunity to choose between CLO debt and CLO equity, should help attract more investors as it is simpler to understand.

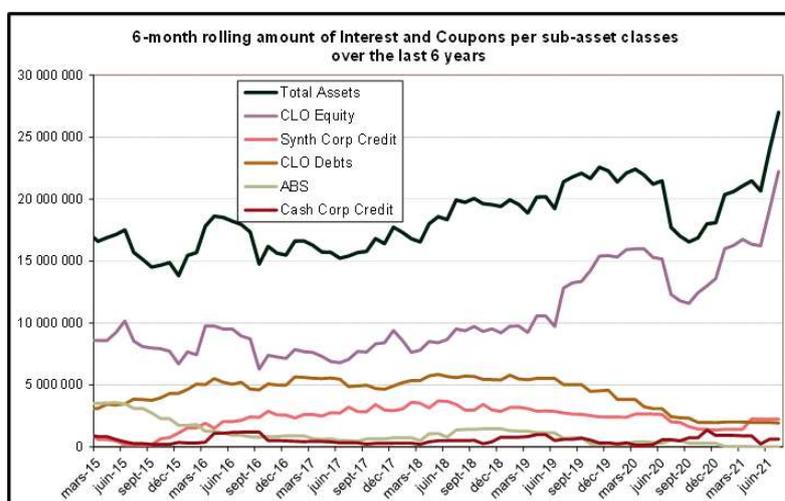
In response to the COVID-19 crisis, central banks and governments brought billions to the table to support both the economy and financial markets. Even though the situation is different from the situation following the Global Financial Crisis (GFC) in 2008, we may see similar consequences i.e. billions of savings available to finance companies' debt and equity, so we may experience several years without any significant corporate debt issues. This was already the case in the US following the GFC and in Europe following the Euro-sovereign crisis with several years without any particular stress.

Another key point for CLO investment is the debate regarding the potential resurgence of inflation. Our conviction is that, due to the way we produce and consume to fight climate change, we may in the coming years see a higher inflation regime than what we saw over the last two decades. Changing for "better" energies (issuing less CO<sub>2</sub>) as well as the need for a kind of de-globalisation (less transportation) may imply higher prices. At the same point in time some of the risks associated with climate change (floods, fires) will continue to materialize meaning that the uncertainty regarding growth is increasing. We may see for years a higher inflation as central banks will be forced to maintain lower rates to finance the need for change and the cost associated with climate catastrophes. This situation is mostly favourable to debt as inflation is facilitating debt erosion while maintaining low rates and dovish monetary policies facilitate debt refinancing. Obviously, some businesses may be impacted. This has for years driven our efforts to promote ESG and sustainable investment practices as much as we can through incorporating, and pushing third party CLO managers to incorporate, non-financial sustainability risks in their credit selection, while trying to avoid financing businesses that are at risk because of E, S or G factors.

Overall, we are optimistic about the strategy for the coming years, at least from the point of view that globally we may enjoy several years with limited default rates for loans both in the US and in Europe.

## CASH FLOW GENERATION

Despite some volatility with the COVID-19 crisis, Volta's ongoing cash flows are on a global positive trend reaching a new high at the end of July 2021, measured over the past six months:



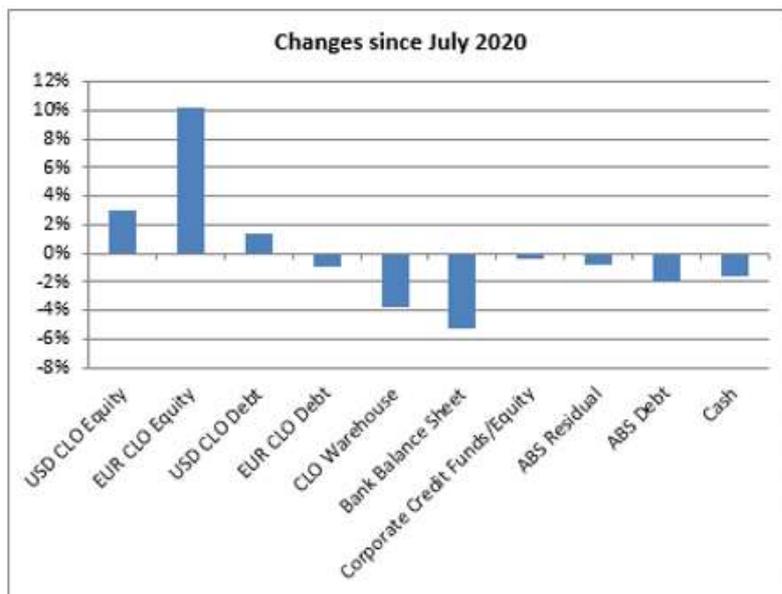
# INVESTMENT MANAGER'S REPORT (CONTINUED)

Though the last figure (€27m as at the end of July) is inflated by two exceptional payments in relation with two resets we conducted in June and July, the trend is clearly up for several years and it is reasonable to expect Volta's interest and coupons to stabilize in the area of €24m per six-month period, considering the current portfolio composition.

This pace (€24m per six-month period) represents circa 18% per annum based on the current NAV. A significant portion of these cash flows are from Volta's CLO equity bucket and it is clear that part of this percentage is there to compensate, on a long-term basis, par erosion that may materialize through years on CLO equity positions. Under reasonable assumptions the projected IRR of Volta's assets, as at the end of July, was close to 13%. Almost one third of the current ongoing cash flow exists to compensate probable future par erosion. As long as such par erosion does not materialize, these cash flows in excess of projected IRR are, month after month, contributing to a NAV increase.

## PORTFOLIO TRANSFORMATION

The below chart shows the changes in the overall asset allocation for the annual period under review:

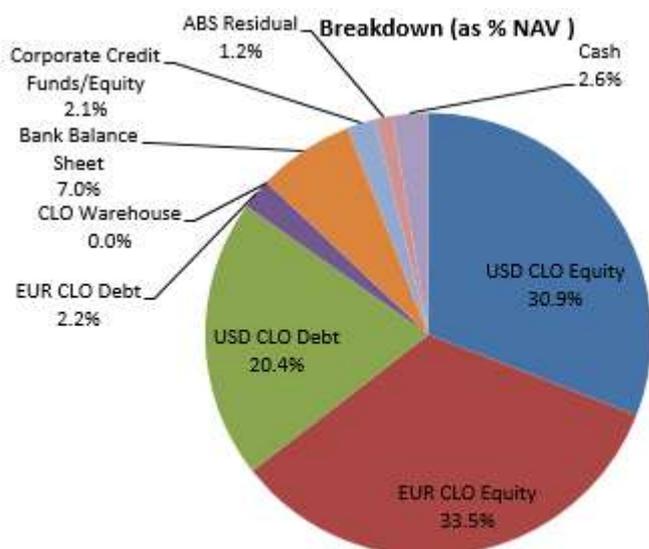


Source: AXA IM

As previously outlined, the main strategy consisted in increasing our exposure to CLO equity tranches to benefit from the positive optionality that these investments can provide on top of the solid cash flows these positions deliver. This strategy improves the liquidity of the portfolio as well as most of the non-CLO positions were not liquid.

## VOLTA'S PORTFOLIO POSITIONING AS AT 31 JULY 2021

As at the end of July 2021, the portfolio breakdown was the following:



# INVESTMENT MANAGER'S REPORT (CONTINUED)

Regarding the split between European and USD CLO equity positions, we are slightly overweight on Europe. Relative to market weight, (the US CLO market is more than four times the size of the European CLO market), it is significant overweight in favour of European CLO Equity. For the last few years the arbitrage is better for European CLO equity (cost of CLO debt is significantly lower in Europe relative to the US) but the size and liquidity of the US loan market gives US CLO managers better capacity to re-arrange portfolios (when needed) as well as the ability to provide more dynamic and tactical portfolio rotation. Hence higher cash flows from European CLO equity positions but less ability to manoeuvre when needed. The COVID-19 crisis provided some strong evidence of this. Although the shock was higher for US loans (far more downgrades than in Europe), more than one year after the wave of downgrades, US CLO managers have been able to rearrange portfolios so that at the end of July there was almost no difference in statistics between US CLOs and European CLOs.

For the same reasons (greater ability to rearrange portfolio and absorb shocks) we also prefer US CLO debt relative to European CLO debt.

When considering the whole portfolio, as at the end of July, using market standards and reasonable assumptions the projected yield of the assets was close to 13%:

Main Asset Class	Sub asset Class	%NAV	Projected IRR	Projected WAL
CLO	USD CLO Equity	28.0%	14.9%	4.2
	USD CLO Debt	20.4%	10.4%	3.1
	EUR CLO Equity	30.6%	13.0%	4.0
	EUR CLO Debt	2.2%	7.5%	6.4
	CMV	5.8%	14.0%	4.5
BBS	Bank Balance Sheet Transactions	7.0%	9.3%	3.0
Corporate Credit	Cash Corporate Credit Equity	2.1%	8.0%	2.0
ABS	ABS Residual/lease	1.2%	10.0%	2.5
	Average		12.7%	3.8

These projected, and already attractive looking IRRs do not take into account any improvement that may come from Refi/Reset operations for CLO equity positions.

## MATERIALIZING THE CALL OPTION AT THE BENEFIT OF CLO EQUITIES

In 2021, to the end of July, Volta benefited from seven refinancing's (i.e. part of the CLO debt is refinanced and a modest WAL test extension allows the CLO manager to rotate the portfolio and extend the life of the arbitrage for the equity tranche) and two resets (i.e. the whole structure of the CLO is reset, with extension of the reinvestment period). For these nine operations, the gain in terms of CLOs cost of debt was between 15 - 27bps. To simplify, considering that a CLO equity position uses 10 times leverage of the underlying loan pool, gaining 20bps on the cost of debt (the cost of the CLO equity leverage) means future payments to the equity position are 2% higher (typically from 15% of par to 17% of par).

Regarding the two resets that were operated, they allowed Volta to receive €4.9m (1.8% of Volta's NAV, part of it being the normal quarterly payment) at the settlement of the reset while these two positions were valued at €20.8m just before the reset. Focusing on these two resets:

- 1) WindRiver19-1: debt cost reduction -19bp (-15bp when considering the inclusion of the B tranche), a payment that corresponds to 24.9% of par (for a valuation in the 90 area)
- 2) Bilbao II: debt cost reduction -31bp (-17bp when considering the inclusion of the B tranche), a payment that corresponds to 14.8% of par (for a valuation in the 70 area)

We expect to be able to refi or reset roughly two thirds of Volta's CLO equity positions. Overall, the instantaneous gain, considering several situations for which an extra principal payment can be materialized following the reset may correspond to 2 to 3% of Volta's NAV. On a more long-term basis, the increase in projected cash flows (thanks to better and longer arbitrage) may represent between 1% and 1.5% of the overall projected IRR.

Being able to benefit from these kinds of operations was one of the reasons why we decided to accumulate CLO equity positions during the last three years and continued doing so during and after the COVID-19 crisis.

# INVESTMENT MANAGER'S REPORT (CONTINUED)

A CLO equity position is one that is expected to suffer the losses that occur in the underlying loan pool. In exchange for taking on this risk:

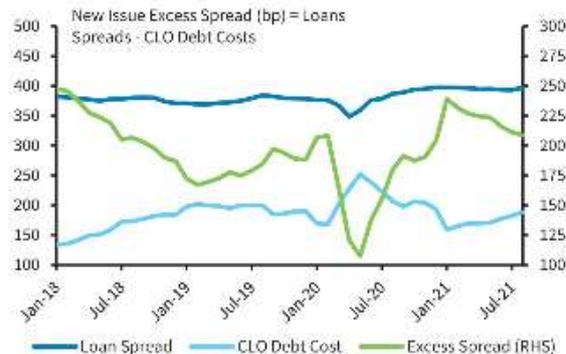
- CLO equity receives double-digit annual payments (generally between 13 -18% depending on the quality of the arbitrage) for several years (in normal market conditions)
- CLO equity may benefit from some stress in the underlying loan markets where CLOs are able to reinvest in loans at a discount (increasing the principal amount of the loan pool) and/or in loans with higher spreads (increasing the annual cash flows that are expected)
- CLO equity may benefit from lower spreads on CLO debts, thus having the right to decide to call all (a "reset") or a portion (a "refi") of the CLO debt to re-issue these tranches with a lower spread (increasing the annual cash flows that are expected for the equity). In case of a reset, generally the reinvestment period of the CLO is extended so that a better arbitrage for the CLO equity should last longer.

When considering the current situation for CLO equity, it still looks very promising. As illustrated below, the arbitrage for CLO equity positions is still good:



Note: Loan spread is nominal spread of US leveraged loan index. Excess spread does not include deal fees.

Source: S&P LCD, Intex, Barclays Research



Note: Loan spread is 65%/35% mix of B/BB nominal spread of EU leveraged loan indices. Excess spread does not include deal fees.

Source: S&P LCD, Intex, Barclays Research

The green line, measuring the quality of the arbitrage on an instantaneous basis (the difference between the spread on loan pools and the CLO cost of debt) is near its highest level for the US and although it decreases in Europe for the most recent months (due to a widening of EUR AAA/AA/A spread), it is still acceptable.

One thing that may have altered the arbitrage for CLO equity could have been a tightening of spreads on the loan markets. The activity on both the US and the European loan markets is so high that such a tightening does not materialize (as illustrated by the dark blue lines above). Loan spreads are still above pre-COVID-19 levels. When considering the billions Private Equity (PE) funds have to deploy, we may continue to see a very active loan market so that such potential tightening might be delayed. Unfortunately, at some point in time if we are correct in forecasting a relatively good situation regarding future default rates, such tightening might happen. In the meantime, we will have enjoyed solid cash flows and low volatility.

## CURRENCY EXPOSURE

For many years (since the GFC) we have limited our exposure to margin calls that might come from hedging non-Euro currency risk. Structurally, we have been selling forward USD against Euro to limit Volta's USD exposure despite having circa 60% of our assets in USD.

As a result, for years Volta was roughly hedging half of its currency exposure coming from USD assets. During March/April USD/EUR was very volatile. To avoid taking the risk of being forced sellers due to margin calls through our currency hedges, we reduced the volume of currency hedging so that, roughly, only one third of the currency risk coming from the USD assets were hedged.

Our view has always been that being fully hedged means being forced to maintain a significant amount of cash to face potential margin calls. This has its cost. Since Volta's inception, more than 13 years ago, despite some volatility in EUR/USD, the currency remains at similar levels. We were right accepting some volatility coming from the remaining currency exposure instead of suffering from cash drag on a long-term basis.

# INVESTMENT MANAGER'S REPORT (CONTINUED)

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

AXA IM has been engaged in Responsible Investment for over two decades:



**Since 1998, Responsible Investment principles are part of our company's DNA**

Source: AXA IM as at 31/12/2019. (1) Principle for Responsible Investment. RI = Responsible Investment ESG = Environmental, Social, Governance (2) In-house RI Platform (3) awarded by the Environmental French Ministry in 2016. References to league tables and awards are not an indicator of future rankings in league tables or awards. (4) Source Novethic Launched at the end of 2015 following the COP21 by the French Ministry of the Environment, Energy and the Sea, the "Transition Énergétique et Ecologique pour le Climat" label (Energy and Ecological Transition for Climate) helps to comply and fulfil a fund's commitment to financing the green economy. The Environment Ministry sets out the share of green activities to be held to claim the label. references to league tables and awards are not an indicator of future rankings in league tables or awards. Information contained in this document may be updated from time to time and may vary from previous or future published versions of this document (5) based on AXA IM's methodology, (6) before the 3rd of August 2018, its name was AXA World Funds- Planet Bonds fund

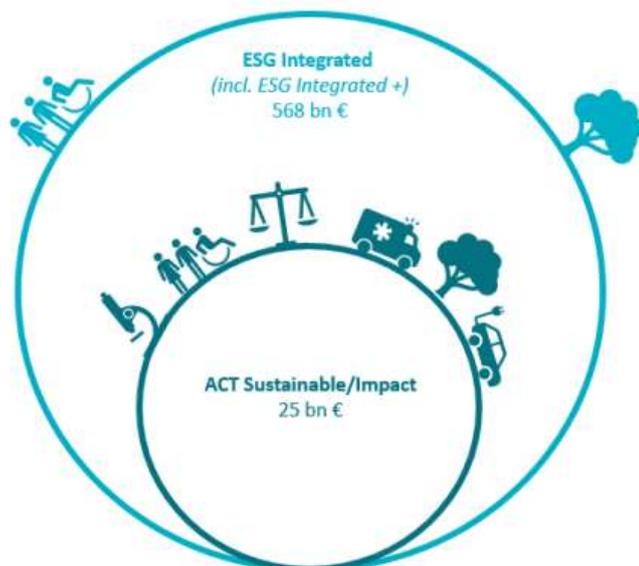
AXA IM has once again received the highest score (A+) following a full review from UN PRI in 2020.

AXA IM is also classified as best-in-class ("Avant-Gardist rank") by H&K Responsible Investment Brand (2020) recognizing that both our commitments and the architecture that is in place are amongst the best.

Year after year, Responsible Investment is concerning a growing share of AXA IM's AUM:

### Our Responsible Investment AUM

88% of AXA IM Core's AUM is ESG Integrated



Source : AXA IM as of 30/06/2021. Non audited figures. Inclusive figures with a cumulative approach.  
 1 - AXA IM Joint Ventures have a specific approach with regards to ESG scoring and stewardship  
 This product categorisation framework applies to open funds in liquid asset classes. Specific approaches may apply for segregated accounts or Alternative strategies.



# INVESTMENT MANAGER'S REPORT (CONTINUED)

Regarding Volta investments we are making good progress year after year.

We are systematically pushing for some industry exclusions when investing in new CLO positions. In order to have a pragmatic approach we separated our exclusion list in two. A first list of exclusions that we tend to impose to all deals (Controversial Weapons, Thermal Coal, Oil Sands, Pornography/Prostitution, Non-certified Palm oil, and UNGC violations), while a second list of exclusions generally needs more discussion with third party CLO managers (Predatory/Pay-Day Lending, Tobacco/Opioid, Soft-Commodity trading, Banned Pesticides/hazardous Chemicals and Weapons firearms). It is fair to recognize that we have no difficulties imposing the first list and a significant portion of the second list to European CLO managers while it is still challenging obtaining from US CLO managers to accept such exclusions. For the US, we make it clear to all CLO managers we work with that not excluding Controversial Weapons and Pornography/Prostitution is, for us, a deal-breaker.

Since the beginning of 2021, all new CLOs we have been investing in have incorporated some industry exclusions, so that, at the end of July 2021 29% of Volta investments in CLO tranches include a wording regarding the exclusion of some businesses.

At the same point in time we are conducting meetings with CLO managers in order to update our understanding of their practices regarding ESG/Responsible Investment practices. The objective being to cover 75% of our AUM by calendar year end.

Through these meetings and the pressure we are exercising on third-party CLO managers we are not only promoting what we consider best practices, but we are also trying to limit downside risks for our investors. While there is obviously some disagreement regarding what can be considered as 'best practices' we can testify that all the CLO Managers we work with share the same view when selecting credits that non-financial sustainability risks need to be incorporated in the process. Lending money to companies that may find difficulties in financing their businesses in the coming years is something to avoid. On top of the classic financial measures of profitability/growth, CLO managers developed tools/processes in order to avoid lending to companies that may be at the centre of future controversies. It is now fully part of our usual risk-management processes.

Despite the complexities involved, AXA IM is at the forefront of the promotion of ESG considerations into structured finance and is actively supporting the transformation of the industry.

## **AXA INVESTMENT MANAGERS PARIS**

27 October 2021

# STRATEGIC REPORT

## Introduction

This report is designed to provide information about the Company's business and results for the year ended 31 July 2021. It should be read in conjunction with the Chairman's Statement and the Investment Manager's Report which gives a detailed review of investment activities for the year and an outlook for the future.

## Company Summary

The Company is a 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 BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA, Channel Islands.

The Company is an authorised closed-ended 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 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. 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 AFM, being the financial markets supervisor in the Netherlands.

## Purpose, investment objectives and strategy

The Company exists to provide Shareholders with access to a range of structured credit investments actively managed by AXA IM. Harnessing AXA IM's expertise, the Company currently invests in predominantly CLOs and similar asset classes with the objective of providing Shareholders with a regular and high level of income and the prospect of modest capital gains over the investment cycle. A more diversified strategy across structured finance assets may be pursued opportunistically.

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 and Emerging Risk Factors' section and in Note 17, the Company currently seeks to attain its investment objectives by pursuing exposure predominantly through investment in CLOs and similar 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 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 CLO Investments (Debt/Equity/Warehouses). There can be no assurance that the Company will achieve its investment objectives.

## Principal and Emerging risks and uncertainties

The principal and emerging risks and uncertainties faced by the Company are described within the 'Principal and Emerging Risk Factors' section of the Annual Report on pages 18 to 20 and Note 17 in the financial statements.

## 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 one of the largest European-based asset managers with 767 investment professionals and €866 billion in assets under management as at the end of June 2021.

AXA IM is authorised by 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 AIFM in accordance with the EU AIFMD on 22 July 2014.

## Performance measurement and Key Performance Indicators

The Directors meet regularly to review performance and risk against a number of key measures.

### Total return

The Board regularly reviews NAV and NAV total return, the performance of the portfolio as well as income received and share price of the Company. The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders over the long term. NAV total return is calculated based on NAV growth of the Company with dividends reinvested at NAV.

NAV, on a total return basis, was 37.8% for the year ended 31 July 2021. Please refer to page 1 for NAV and share price total return analysis.

### Ongoing charges

The ongoing charges are a measure of the total recurring expenses incurred by the Company expressed as a percentage of the average Shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses. Refer to page 74 for methodology of calculation.

# STRATEGIC REPORT (CONTINUED)

## Performance measurement and Key Performance Indicators (Continued)

### *Premium / discount*

The Directors review the trading prices of the Company's Ordinary shares and compare them against their NAV to assess quantum and volatility in the discount of the Ordinary share prices to their NAVs during the year. Please refer to page 1 for further analysis.

## Environmental, social and governance issues

The Company itself has only a very small footprint in the local community and only a very small direct impact on the environment. However, the Board acknowledges that it is imperative that everyone contributes to local and global sustainability. The nature of the Company's investments is such that they do not provide a direct route to influence investees in ESG matters in many areas, but the Board and the Investment Manager work together to ensure that such factors are carefully considered and reflected in investment decisions, as outlined elsewhere in these financial statements.

Board members do travel, partly to meetings in Guernsey, and partly elsewhere on Company business, including for the annual due diligence visits to AXA IM in Paris and to BNP Paribas in Jersey. The Board considers this essential in overseeing service providers and safeguarding stakeholder interests. During the COVID-19 pandemic, the Board was unable to travel for board meetings or to carry out due diligence visits to their key service providers but have used video conference facilities for board meetings, which has greatly reduced the need to travel. The Board will continue to seek to minimise travel by the use of conference calls whenever good governance permits.

For further information regarding the Company's approach to environmental, social and governance issues, please refer to the ESG Section within the Investment Manager's Report on pages 8 and 9.

## Life of the Company

The Company has a perpetual life.

## Future strategy

The Board continues to believe that the investment strategy and policy adopted is appropriate for and is capable of meeting the Company's objectives. The overall strategy remains unchanged and it is the Board's assessment that the Investment Manager's resources are appropriate to properly manage the Company's investment portfolio in the current and anticipated investment environment. Refer to the Investment Manager's report on pages 4 to 9 for details regarding performance to date of the investment portfolio and the main trends and factors likely to affect those investments.

## Going Concern

Under the Listing Rules, the AIC Code and applicable regulation the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial year statements.

The Directors have considered the state of financial market conditions at the year-end date and subsequently. Although the final economic consequences of the COVID-19 pandemic are still unclear, most financial markets have recovered their initial losses from spring of 2020. In particular, the market for CLOs, the Company's principal investment type, has recovered from its initial falls. Default rates have remained low by historical standards and this is expected to continue in the medium term, even when the current level of central bank intervention reduces. To date no impact on cash inflows to the Company has been experienced. The Investment Manager continues to seek to manage cash out flows through margin calls and other commitments, and the Board has reduced the absolute amount of dividends in proportion to NAV.

Whilst there is of course some uncertainty surrounding future cash inflows – the incidence and impact of defaults in the underlying assets are impossible to predict accurately – the Directors have concluded that any reasonably foreseeable fall in cash inflows would not have a material impact on the Company's ability to meet its liabilities as they fall due over the coming 12 months. Therefore, after making appropriate enquiries, the Directors are 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 provisions of the AIC Code, the Directors have assessed the viability of the Company over a period of four years from the date of approval of this report. In making this assessment the Directors have taken into account the impact that various plausible adverse scenarios might be expected to have on the Company's cash flows 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 18 to 20; and the risks arising from the Company's financial instruments set out in Note 19 to the financial statements, and their potential impact on the Company.

A four year forecasting period 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, as it represents the time within which at least 50% of the value of the portfolio might be reasonably expected to have liquidated naturally despite unfavourable market conditions.

# STRATEGIC REPORT (CONTINUED)

## Viability Statement (Continued)

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 derivatives contracts, as well as to continue to pay a 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 combination of inter alia: a significant and rapid appreciation on the US Dollar; 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 a base case that incorporates the impact of the ongoing COVID-19 pandemic, then under various stress test scenarios that are considered to be severe but plausible and including scenarios where default levels were modelled to peak at a level higher than those previously experienced by the Company during the 2008/2009 crisis and to persist for longer than the heightened default levels that were experienced by the Company at that time.

Specific variables adjusted included: using S&P pessimistic forward 12 month default rates for speculative grade issuers; eliminating any lag in the timing of the downturn; making no distinction between the performance of US and European CLO markets; assuming stressed default rates that could go beyond levels experienced in the leverage loan markets over the last 2 decades; and modelling the impact of +/- 20% moves in the Euro US Dollar exchange rate.

Under no plausible scenario modelled did the Company become cash flow insolvent but the modelling made three 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; secondly, the Directors made the assumption that the Investment Manager would be able to actively and conservatively manage the portfolio during the downturn including making limited disposals at a discount; and thirdly, that the dividend is reduced on a timely basis in line with the modelled reduction in NAV.

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 four-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 four-year period of their assessment.

# STRATEGIC REPORT (CONTINUED)

## Section 172(1) Statement

Through adopting the AIC Code, the Board acknowledges its duty to comply with section 172 of the UK Companies Act 2006 and to act in a way that promotes the success of the Company for the benefit of its Shareholders as a whole, having regard to (amongst other things):

- a) consequences of any decision in the long-term;
- b) the interests of the Company's employees;
- c) the need to foster business relationships with suppliers, customers and others;
- d) impact on community and environment;
- e) maintaining reputation; and
- f) acting fairly as between members of the Company.

The Board considers this duty to be inherent within the culture the Company and a part of its decision-making process.

The Company's culture is one of openness, transparency and inclusivity. Respect for the opinions of its diverse stakeholders features foremost as does its desire to implement its operations in a sustainable way, conducive to the long term success of the Company.

Information on how the Board has engaged with its stakeholders and promoted the success of the Company, through the decisions it has taken during the year, whilst having regard to the above, is outlined below.

The example outcomes below outline decisions taken during the year which the Board believes has the greatest impact on the Company's long term success. The Board considers the factors outlined under section 172 and the wider interests of stakeholders as a whole in all decisions it takes on behalf of the Company.

## Stakeholder engagement

The Company is an externally managed investment company, has no employees, and as such is operationally quite simple. The Board does not believe that the Company has any material stakeholders other than those set out in the following table.

Issues that matter to them		
Investors	Service providers	Community and environment
Performance and liquidity of the shares Growth and liquidity of the Company	Reputation of the Company Compliance with Law and Regulation Remuneration	Compliance with law and regulation Impact of the Company and its activities on third parties
Engagement process		
Investors	Service providers	Community and environment
Annual General Meeting  Frequent meetings with investors by brokers and the Investment Manager and subsequent reports to the Board  Monthly factsheets  Key Information Document  Publication of paid for research	The main two service providers – AXA IM and BNPP – engage with the Board in face to face meetings quarterly, giving them direct input to Board discussions.  The Board also considers the interests of the Corporate Broker.  All service providers are asked to complete a questionnaire annually which includes feedback on their interaction with the Company, and the Board normally undertakes an annual visit to AXA IM in Paris and to BNPP in Jersey.	The Company itself has only a very small footprint in the local community and only a very small direct impact on the environment.  However, the Board acknowledges that it is imperative that everyone contributes to local and global sustainability.

# STRATEGIC REPORT (CONTINUED)

## Stakeholder engagement (Continued)

Rationale and example outcomes		
Investors	Service providers	Community and environment
<p>Clearly investors are the most important stakeholder for the Company. Most of our engagement with investors is about “business as usual” matters, but has also included discussions about the discount of the share price to the NAV. The major decisions arising from this have been for the Board to seek to ensure long term value (e.g. the inclusion of warehouses within the portfolio to give access to beneficial terms in subsequent investments) and to seek greater liquidity for the Company’s shares through increasing its profile.</p> <p>In addition, the Board has focussed on valuation of assets, a key priority for Shareholders. As a result, we have adopted in recent years a more sophisticated valuation methodology for the CMV investment and to engage JP Morgan PricingDirect for all CLO valuations, thus ensuring a more robust and reliable methodology than previously. The Board also spent considerable time focused on the valuation of Fintake and REO during the year.</p>	<p>The Company relies on service providers entirely as it has no systems or employees of its own. During the year the Board held discussion with AXA IM regarding both the breadth of the mandate and fees. The Board believes that the Company dealt fairly and transparently with AXA IM and balanced the requirements of all stakeholders through constructive dialogue.</p> <p>The Board always seeks to act fairly and transparently with all service providers, and this includes such aspects as prompt payment of invoices.</p>	<p>The nature of the Company’s investments is such that they do not provide a direct route to influence investees in ESG matters in many areas, but the Board and the Investment Manager work together to ensure that such factors are carefully considered and reflected in investment decisions, as outlined elsewhere in the document.</p> <p>Board members do travel, partly to meetings in Guernsey, and partly elsewhere on Company business, including for the annual due diligence visits to AXA IM in Paris and to BNPP in Jersey. The Board considers this essential in overseeing service providers and safeguarding stakeholder interests. Otherwise, the Board seeks to minimise travel by the use of conference calls whenever good governance permits.</p>

Engagement processes are kept under regular review. Investors and other interested parties are encouraged to contact the Company via [guernsey.bp2s.volta.cosec@bnpparibas.com](mailto:guernsey.bp2s.volta.cosec@bnpparibas.com) on these or any other matters.

The Strategic Report was approved by the Board of Directors on 27 October 2021 and signed on its behalf by:

Paul Meader  
Chairman

Stephen Le Page  
Chairman of the Audit Committee

# REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS

As Depositary we are responsible for carrying out duties set out in Article 21 paragraphs (7) (8) and (9) of the AIFMD and can confirm that monitoring has taken place to ensure that AXA IM (the AIFM) is compliant with Article 21 paragraphs (7) (8) and (9) for the year ended 31 July 2021, and that we have no matters of concern to report.

## **BNP Paribas Securities Services S.C.A. Guernsey Branch**

BNP Paribas House

St Julian's Avenue

St Peter Port

Guernsey

GY1 1WA

27 October 2021

# REPORT OF THE DIRECTORS

The Directors present their Annual Report and the Audited Financial Statements for the year ended 31 July 2021. 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.

## Culture of the Company

The Board recognises that its tone and culture are important and will greatly impact its interactions with Shareholders and service providers as well as the development of long-term shareholder value. The importance of sound ethical values and behaviours are crucial to the ability of the Company to achieve its corporate objectives successfully.

The Board individually and collectively seeks to act with diligence, honesty and integrity. It encourages its members to express differences of perspective and to challenge but always in a respectful, open, cooperative and collegiate fashion. The Board encourages diversity of thought and approach and chooses its members with this approach in mind. The corporate governance principles that the Board has adopted are designed to ensure the Company delivers long term value to its Shareholders and treats all Shareholders equally. All Shareholders are encouraged to have an open dialogue with the Board.

## Share capital

The Company's share capital consists of an unlimited number of shares. As at 31 July 2021, the Company's issued share capital was 36,580,580 shares (31 July 2020: 36,580,580 shares). In accordance with the provisions of the Articles of the Company, there is in issue 1 Class B convertible Ordinary share of no par value which is issued to the Manager and gives them the right to elect (or remove) one member of the Board.

## Results and dividends

During the financial year the Company's NAV increased by €58.1 million or €1.59 per share. The net comprehensive gain for the year, amounted to €76.8 million.

During the year, the Directors declared the following quarterly dividends: €0.11 per share paid in October 2020; €0.12 per share paid in December 2020; €0.14 per share paid in April 2021; and €0.14 per share paid in July 2021.

## Share repurchase programme

At the 2020 AGM, held on 8 December 2020, the Directors were granted authority to repurchase 5,483,429 shares (being equal to 14.99% of the aggregate number of shares in issue at the date of the 2020 AGM notice). This authority, which has not been used, will expire at the upcoming AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

## Authority to allot

At the 2020 AGM, the Directors were granted authority to allot, grant options over, or otherwise dispose of up to 3,658,058 shares (being not more than 10% of the shares in issue at the date of the 2020 AGM notice). This authority, which has not been used, will expire at the 2021 AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

## Alternative Investment Fund Managers Directive

The AIFMD seeks to regulate managers of 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, BNP Paribas has been appointed to act as its Depositary. Refer to the legal and regulatory disclosures section on pages 77 and 78 for further information.

## Directors

The Directors who held office during the financial year and up to the date of approval of this report are listed on page 79 and 80.

Refer to the Directors' remuneration report on pages 29 and 30 for the Directors' interests in the Company's share capital as at the current time and at the financial year end.

## Shareholders' Interests

As at 31 July 2021, so far as the Directors are aware, no person other than those listed below and those parties disclosed in Note 19 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
AXA S.A Bank	8,050,072	22.01%
BNP Paribas Wealth Management	5,802,512	15.86%
BNP Paribas Securities Services	3,592,984	9.82%
AXA Framlington Investment Managers	3,009,988	8.23%

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. This right is not currently being exercised.

# REPORT OF THE DIRECTORS (CONTINUED)

## **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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

## **Independent Auditor**

Following their re-appointment at the 2020 Annual General Meeting, KPMG served as Auditor during the financial year and has expressed its willingness to continue in office.

## **Financial risk management objectives and policies**

The Board is responsible for the Company's system of risk management and internal control and meets regularly in the form of periodic Board meetings to assess the effectiveness of such controls in managing and mitigating risk.

The Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31 July 2021, and to the date of approval of this Annual Report.

The key financial risks that the Directors believe the Company is exposed to include credit risk, liquidity risk, market risk, interest rate risk, valuation risk and foreign currency risk. Please refer to Note 17 for reference to financial risk management disclosures, which explains in further detail the above risk exposures and the policies and procedures in place to monitor and mitigate these risks.

The Administrator has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of these controls is assessed by the Administrator's compliance and risk departments on an on-going basis and by periodic review by external parties. The Administrator's Fund Compliance Manager, acting on behalf of the Company, presents an assessment of their review to the Board in line with the compliance monitoring programme on a quarterly basis which has revealed no matters of concern.

## **Events after the Reporting Date**

The Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or Note 21 of the attached financial statements.

The Report of the Directors was approved by the Board of Directors on 27 October 2021 and signed on its behalf by:

Paul Meader  
*Chairman*

Stephen Le Page  
*Chairman of the Audit Committee*

# PRINCIPAL AND EMERGING 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 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 and emerging 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.

<b>Strategic risks</b>	
<p>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.</p>	
<b>Principal risks</b>	<b>Impact, tolerance, controls and mitigation</b>
<p><b>Default risk –</b> 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.</p> <p>The risk that a counterparty defaults leading to a financial loss for the Company.</p>	<p>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.</p> <p>The Company has a moderate credit exposure to counterparties through derivatives 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.</p>
<p><b>Market risk –</b> The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV.</p>	<p>The impact of market risk on the Company's ability to achieve its investment objectives could potentially be high. A combination of a sharp downturn in asset prices with sharp rise in the US Dollar would result in an FX margin call that might create a liquidity squeeze and result in assets being sold at distressed levels. Thus, both market and FX risk are monitored closely and these risks are 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.</p>

# PRINCIPAL AND EMERGING RISK FACTORS (CONTINUED)

<b>Strategic risks (Continued)</b>	
<b>Principal risks</b>	<b>Impact, tolerance, controls and mitigation</b>
<p><b>Market risk (Continued) –</b> The impact of movements in market prices, interest rates and foreign exchange rates on cash flows receivable and the Company's NAV (Continued).</p> <p>The risk of severe market disruption leading to impairment of the market value and/or liquidity of the Company's investment portfolio.</p> <p>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.</p>	<p>Given that the Company's investments have floating interest rate characteristics, the direct 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.</p> <p>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 currently financed by equity on which it is able to exercise discretion regarding dividend payments. The Company may utilise debt financing through entering into repurchase agreements. The Board monitors overall leverage levels and the Risk Committee oversees soft limits applicable to any Repo and associated collateralisation.</p> <p>When repurchase arrangements are in place, the Investment Manager monitors on a frequent basis the collateral requirements under that 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.</p>
<p><b>Re-investment risk –</b> The ability to re-invest in investments that maintain the targeted level of returns at an acceptable level of risk.</p>	<p>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.</p>
<p><b>Preventable risks</b> 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.</p>	
<b>Principal risks</b>	<b>Impact, tolerance, controls and mitigation</b>
<p><b>Liquidity and going concern –</b> 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.</p>	<p>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 any Repo, FX margin calls and other payment obligations on hedging agreements and any other derivatives the Company might enter into, drawdowns on investment commitments and other payment obligations such as ongoing expenses.</p>

# PRINCIPAL AND EMERGING RISK FACTORS (CONTINUED)

Preventable risks (Continued)	
Principal risks	Impact, tolerance, controls and mitigation
<p><b>Valuation of assets –</b> The risk that the Company's assets are incorrectly valued.</p>	<p>Whilst there might be no immediate direct impact on the Company from incorrect valuation of the Company's assets in its monthly 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 3 in the financial statements. The Company's NAVs are calculated based on valuations provided independently by JP Morgan PricingDirect for the majority of positions.</p>
<p><b>Investment Manager risks –</b> The risk that the Investment Manager may execute its investment strategy poorly.</p>	<p>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.</p>
<p><b>Key person risk –</b> The risk that the Investment Manager resigns, goes out of business or exits the Company's asset classes.</p>	<p>The Investment Manager has large teams and deep resources of skills to replace key individuals.</p> <p>The Investment Manager must give three months' notice before resigning which would help mitigate the disruption caused by any need to appoint a new Investment Manager.</p>
<p><b>Legal and regulatory risk –</b> 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.</p>	<p>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.</p> <p>The Investment Manager reports to the Board at least semi-annually regarding any relevant upcoming regulatory and tax changes and on an ad hoc basis if appropriate.</p> <p>The Company also has an agreement with Fidal who assist with tax items as and when required.</p>
<p><b>Operational Risk</b> The risk that service providers will be disrupted by partial or full lockdown provisions.</p>	<p>The impact of lockdowns as part of the government response to the COVID-19 pandemic has meant that service providers have needed to invoke business recovery plans and adjust ways of working. This has been successfully achieved thus far by all service providers but it is an area of ongoing focus.</p>

Emerging Risks	Impact, tolerance, controls and mitigation
Climate Change	<p>Climate change may impact individual borrowers adversely and may also have adverse macroeconomic impacts such as higher inflation. There is also the possibility of distortions to capital flows.</p> <p>The Company, through AXA IM, engages actively with managers around environmental factors and is a leader in implementing such factors in structured finance. The potential for differential impacts of climate change on sectoral allocations is recognised and sectoral allocations are explicitly monitored.</p>
LIBOR transition to SOFR	<p>The transition from LIBOR to SOFR raises potential risks around asset pricing and cash flows. However, the impact on valuation is expected to be modest and transitory.</p>

# CORPORATE GOVERNANCE REPORT

The Company is a member of the AIC and has elected to follow the AIC Code 2019. 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 Code. The Company is not required to apply the Dutch Corporate Governance Code.

## The Board

### *The Board and its responsibilities*

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.

During the year under review the members of the Board consisted of four Directors until the appointment of Ms Dagmar Kent Kershaw on 30 June 2021, when this changed to five. Refer to pages 79 and 80 for the biographies of each Director which demonstrates their professional knowledge and experience.

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 BNP Paribas, in respect of its duties as the Administrator, including its duties as Company Secretary, are governed by an Administration Agreement and its duties as current Depositary are set out in a Depositary Agreement.

The Board has established the Management Engagement Committee which monitors the performance of each of its service providers on a regular basis and reviews their performance on a formal basis at least annually (See Management Engagement Committee section on page 23). 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.

### *Board diversity*

At the year end, the Board comprised one female and four male Directors. The Board has due regard for the benefits of experience and diversity in its membership, including gender, and strives to achieve the right balance of individuals who have the knowledge and skillset to aid the effective functioning of the Board and maximise Shareholder return while mitigating the risk exposure of the Company. The Board is committed to ensuring that any vacancies arising are filled by the most qualified candidates who have complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience irrespective of gender, race or creed. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

During the year under review, the Board chose to participate in the Board Apprentice Scheme, which aims to give appropriate individuals first hand board experience through observation of the workings and dynamics of boards. The Board selected one board apprentice, who has attended the Company's meetings and received relevant documentation. The Board views this as a valuable exercise in mentoring accomplished individuals to be future directors, fostering equality and developing board culture.

### *Board independence, composition and tenure*

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 the Directors 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 the Investment Manager or any AXA Group companies or any 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 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).

Mr Varotsis has served on the Board for over 15 years. In the Board's opinion, Mr Varotsis continues to demonstrate objective and independent thought processes during his dealings with the rest of the Board and with the Investment Manager, and is therefore considered to be independent, notwithstanding his long service. Indeed, the Board consider that long service, which included the period of the Global Financial Crisis, added value to the Company's actions during the COVID-19 market crisis. Mr Varotsis has notified the Board that he does not intend to stand for re-election at the Annual General Meeting this year.

The Board reviews at least annually whether there are other factors that potentially affect the independence of Directors or involve meaningful conflicts of interest for them with the Company.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## *Committees of the Board*

Audit, Risk, Nomination, Management Engagement 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*

Refer to the Audit Committee's separate report on pages 27 to 28 for details of its composition, responsibilities and activities.

### *Risk Committee*

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

The Risk 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 Risk Committee retains full responsibility for the oversight of such service providers.

During the financial year ended 31 July 2021 the Risk Committee met on five occasions. The due diligence review of the Investment Manager took place on 1 July 2021 via video conference as part of the quarterly board meeting, as the planned visit for 2 July 2021 could not take place due to COVID-19 travel restrictions.

The Risk 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 Risk Committee by the Investment Manager but, from time to time, the Risk Committee may also be provided with information by its Company Secretary or its Corporate Broker.

The Risk Committee constructively challenges the Investment Manager in relation to matters of investment risk. The Risk 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 and emerging risks facing the Company, as identified by the Risk 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 and Emerging Risk Factors section on pages 18 to 20.

The Risk 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 pages 11 and 12 of this report. This work included comprehensive scenario and stress case modelling produced by the Investment Manager at the Risk Committee's request.

The Risk 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 Risk Committee has reported accordingly to the Board.

The Board has established terms of reference for the Risk Committee governing its responsibilities, authorities and composition in accordance with the AIC Code. Those terms of reference are available on the Company's website.

### *Nomination Committee*

The Nomination Committee currently comprises Mr Harrison, Ms Kershaw, Mr Le Page, Mr Meader (Chairman), 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.

The 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 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 compliance with the AIC Code each Director stands for annual re-election.

During the year, Mr Meader conducted formal performance evaluations with each 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 they continued to demonstrate satisfactory independence; positively added to the balance of skills of the Board; had current and relevant expertise; effectively contributed to the Board; and demonstrated commitment to the Company's business. Accordingly the Nomination Committee has recommended that the Board should propose each Director for re-election to the Board at the forthcoming AGM, aside from Mr Varotsis who has confirmed he will be stepping down as a director just prior to the AGM.

Following the retirement of Ms Moini as a director in July 2020, and the imminent retirement of Mr Varotsis in December 2021, the search for a new director was commenced in the second half of 2020. The Committee produced a role description, taking account of various company policies such as diversity and the need for the candidates to have deep technical expertise in structured finance, especially CLOs. The Committee considered a range of search firms and mechanisms, and based on the search criteria, costs and the experience of existing directors, engaged both Nurole and Women on Boards to source candidates.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## *Nomination Committee (Continued)*

Following an initial review of the candidates presented by the source firms, a short list of seven candidates was drawn up by the committee for interviews. Due to continuing travel restrictions due to COVID-19, interviews were held over video conference. The Nomination Committee recommended to the Board the appointment of Ms Dagmar Kershaw with effect from 30 June 2021.

At a Nomination Committee meeting held on 14 September 2021, in anticipation of Mr Varotsis retirement at the AGM in December 2021, a recommendation was made to the Board regarding the chairmanship of the various committees of the Board. The Board agreed that the following changes to the committee chairs would take effect immediately after the 2021 AGM to be held on 8 December 2021:

Mr Harrison will take on the chairmanship of the Remuneration Committee and the Management Engagement Committee  
Ms Kershaw will take on chairmanship of the Risk Committee from Mr Harrison  
Mr Le Page will become Senior Independent Director from Mr Varotsis and will remain Chairman of the Audit Committee  
Mr Meader will remain as Chairman of the Board and of the Nominations Committee

## *Management Engagement Committee*

The Management Engagement Committee currently comprises Mr Harrison, Ms Kershaw, Mr Le Page, Mr Meader (Chairman), and Mr Varotsis. Only Independent Directors may serve on the Management Engagement Committee. The Committee meets at least once each year and the primary purpose of the Committee is to review the performance of, and contractual arrangements with the Investment Manager and other third party service providers of the Company (other than the external auditor) on a periodic basis, with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's Shareholders.

The Management Engagement Committee held one meeting during the year ended 31 July 2021.

## *Remuneration Committee*

The Remuneration Committee currently comprises Mr Harrison, Ms Kershaw, Mr Le Page, Mr Meader, and Mr Varotsis (Chairman). Only Independent Directors may serve on the Remuneration Committee. The Committee meets at least once each calendar year to review the remuneration of the Directors and make recommendations to the Board in this respect. The Committee met on 14 September 2021 which is outside the period of reporting set out in the table below.

## *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 at scheduled meetings of the Board and its committees**

Number of attendances / number of meetings held during the year (where applicable, i.e. where the relevant Director was a Committee member as at the date of the meeting)

	Board meetings	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee	Management Engagement Committee
G Harrison	6/6	7/7	5/5	2/2	-	1/1
D Kershaw*	1/1	1/1	1/1	-	-	-
S Le Page	6/6	7/7	5/5	2/2	-	1/1
P Meader	6/6	-	5/5	2/2	-	1/1
P Varotsis	6/6	7/7	5/5	2/2	-	1/1

\* appointed with effect from 30 June 2021

## *Directors' professional development*

The Board believes that keeping up-to-date with key credit industry developments is essential for the Directors to maintain and enhance their effectiveness. The Chairman is responsible for agreeing and reviewing with each Director their training and development needs and all Directors receive other relevant training as necessary.

When a new Director is appointed to the Board, they are provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Manager, Administrator and Company Secretary in order to learn about their processes and procedures, as deemed applicable.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a Director of the Company.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## **Relationship with the Investment Manager**

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 Investment Management Agreement states that the Company may engage in portfolio transactions (e.g. the purchase or sale of securities) with the Investment Manager acting on a principal basis and cross-trades between the Company and accounts or funds for which the Investment Manager acts as discretionary Investment Manager and 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](http://www.axa-im.fr).

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

The Board receives and considers reports regularly from the Investment Manager, with ad hoc reports and information supplied to the Board as required. The Investment Manager reports against the Company's investment guidelines and has systems in place to monitor cash flow and the liquidity risk of the Company. The Investment Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Manager and Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern.

The Board, the Investment Manager and the Administrator operate in a supportive, co-operative and open environment.

## *Performance of the Investment Manager*

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 Management Engagement Committee on 14 September 2021. 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.

The Board believes that the investment management fees are competitive with other investment companies with similar investment mandates. The key terms of the Investment Management Agreement and the investment management fee charged by the Investment Manager are set out in Note 19.

## **Board meetings**

### *Primary focus*

The Board meets regularly throughout the year and a representative of the Investment Manager is in attendance at all times when the Board meets to review the performance of the Company's investments. The Chairman with assistance from the Investment Manager is responsible for ensuring that directors receive accurate, timely and clear information which is discussed at Board meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

The Board applies its primary focus on the following:

- investment performance, ensuring that investment objectives and strategy of the Company are met;
- ensuring investment holdings are in line with the Company's investment guidelines;
- reviewing and monitoring financial risk management, operating cash flows and budgets of the Company;
- reviewing share buyback and treasury share policy; and
- reviewing and monitoring of the key risks to which the Company is exposed as set out in the Strategic Report.

At each relevant meeting the Board undertakes reviews of key investment and financial data, transactions and performance comparisons, share price and NAV performance, marketing and Shareholder communication strategies, peer group information and industry issues.

### *Overall strategy*

The Board meets regularly to discuss the investment objective, policy and approach of the Company to ensure sufficient attention is given to the overall strategy of the Company. The Board considers the Company's investment objectives, their continuing relevance and whether the investment policy continues to meet those Company's investment objectives. In particular the Board considered ways to attract more investors to help reduce the level of discount. The Board and the Manager have begun simplifying the structure of the Company by pursuing exposure predominantly through investment in CLOs and similar asset classes.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## *Monitoring and evaluation of performance of and contractual arrangements with service providers*

The Board, with support from the Management Engagement Committee, is responsible for reviewing on a regular basis the performance of the Investment Manager and the Company's other third party service providers.

The Management Engagement Committee ensures all service providers comply with the Bribery Act 2010 and the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003. They also ensure that service providers' cyber security arrangements are sufficient to ensure their continued competitiveness and effectiveness and that performance is satisfactory and in accordance with the terms and conditions of the respective appointments.

As part of the Board's evaluation it reviews on an annual basis the contractual arrangements with the Investment Manager and major service suppliers.

During this review, no material weaknesses were identified and overall the Board confirmed its satisfaction with the services and advice received.

The Directors have adopted a procedure whereby they are required to report any potential acts of bribery and corruption in respect of the Company to BNP Paribas as the designated manager for GFSC purposes.

## **Shareholder communications**

The main method of communication with Shareholders is through the Half-Yearly Report and Annual Report which aim to give Shareholders a clear and transparent understanding of the Company's objectives, strategy and results. This information is supplemented by the publication of the monthly NAVs of the Company's Ordinary shares on Euronext Amsterdam and the LSE.

The Company's website is regularly updated with monthly reports and provides further information about the Company, including the Company's financial reports and announcements. The maintenance and integrity of the Company website is the responsibility of the Directors, which has been delegated to the Administrator. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements and users of the Company's website are responsible for informing themselves of how the requirements in their own countries may differ from those of Guernsey.

Shareholders are able to contact the Board directly via the Company's dedicated e-mail address ([guernsey.bp2s.volta.cosec@bnpparibas.com](mailto:guernsey.bp2s.volta.cosec@bnpparibas.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.

## **Statement of Compliance with the AIC Code of Corporate Governance**

The Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have therefore chosen to comply with the provisions of the AIC Code of Corporate Governance published in February 2019.

The Board has considered the principles and provisions of the AIC Code. The AIC Code addresses all the principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional provisions on issues that are of specific relevance to Investment Companies.

The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to stakeholders. The AIC Code is available on the AIC website [www.theaic.co.uk](http://www.theaic.co.uk).

The Company has complied with all the principles and provisions of the AIC Code during the year ended 31 July 2021 except as set out below:

- Director Independence (provision 13)
- New companies (provision 21)

### ***Director Independence (provision 13)***

This provision relates to the independence of the non-executive directors.

Mr Varotsis has served on the Board for 15 years and notwithstanding his long service, the Board are of the opinion he continues to maintain his independence and has positively added to the balance of the skills on the Board (see Board independence, composition and tenure on page 21). Mr Varotsis has confirmed he will be stepping down as a Director just prior to the AGM to be held in December 2021.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## **New Companies (provision 21)**

This provision relates to the appointment of the chair and of the board of a new company. As the Company was incorporated during 2006, this provision is not applicable to the Company.

Set out below is where stakeholders can find further information within the Annual Report about how the Company has complied with the various principles and provisions of the AIC Code.

<b>1. Board leadership and purpose</b>	
Purpose	On page 10
Strategy	On page 10
Values and culture	On page 13
Shareholder Engagement	Shareholder communications on page 25
Stakeholder Engagement	Section 172 statement on page 13
<b>2. Division of responsibilities</b>	
Director Independence	On page 21
Board meetings	Board and Committee Meetings with Director Attendance on page 23
Relationship with Investment Manager	Investment Manager and Investment Manager Review on page 24
Management Engagement Committee	Management Engagement Committee on page 23
<b>3. Composition, succession and evaluation</b>	
Nomination Committee	Nomination Committee on page 22
Director re-election	Board Composition on page 22
Use of an external search agency	On page 22
Board evaluation	Board Evaluation on page 22
<b>4. Audit, risk and internal control</b>	
Audit Committee	Audit Committee on page 27 and 28
Emerging and principal risks	Principal Risks and Uncertainties on pages 18 to 20
Risk management and internal control systems	Internal Controls on page 27
Going concern statement	Going Concern on page 11
Viability statement	Viability Statement on pages 11 and 12
<b>5. Remuneration</b>	
Directors' Remuneration Report on pages 29 and 30	

At the Company's Annual General Meeting on 8 December 2020, significant votes against the re-appointment of Graham Harrison, Stephen le Page, Paul Meader, and Paul Varotsis as Directors were received. The votes against each resolution equalled to 33.81% of the total voted by proxy.

The Board noted that the votes against were similar to those received at the AGM held on 6 December 2019 and that since then the Board, through its Corporate Broker had sought to engage with the dissenting Shareholders to understand their concerns.

Unfortunately, despite multiple efforts, the Board and its advisers were unable to gain a response, and on 27 May 2021 released an announcement to the market, inviting the dissenting Shareholders to engage directly through the Chairman, the Senior Independent Director or the Corporate Broker. No contact has been made but the Board remains open to any feedback.

# AUDIT COMMITTEE REPORT

The Audit Committee presents its report for the year ended 31 July 2021.

## Terms of reference

The Board has established terms of reference for the Audit Committee governing its responsibilities, authorities and composition (as stated in the Corporate Governance Report, the Company applies the AIC Code and accordingly the terms of reference of the Audit Committee comply with the AIC Code). Those terms of reference are available on the Company's website.

## Delegation of duties

The Company has no 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 Audit Committee retains full responsibility for the oversight of the control processes of those service providers.

## Composition

The Audit Committee currently comprises Mr Harrison, Mr Le Page (Chairman), Ms Kershaw and Mr Varotsis. Only Independent Directors may serve on the Audit Committee and members of the Audit 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, and having served on the Audit Committees of several companies since then and to date, thereby enabling him to fulfil his role as Chairman of the Audit Committee. The other members of the Audit Committee have the knowledge and experience necessary to discharge their duties.

## Activities

During the financial year ended 31 July 2021, the Audit Committee met on seven occasions and met with the Auditor on three of those occasions. Due to Covid-19 travel restrictions, the Audit Committee were unable to carry out due diligence visits to BNP Paribas in Jersey, where the company's day to day administration and accounting is carried out, nor to the Investment Manager in Paris. Instead the Audit Committee Chairman spoke by telephone with the BNP Paribas staff responsible for the Company's accounting function on several occasions and video conferences were held with relevant staff of the Investment Manager. These video conferences covered a wide range of topics, including Risk Management, Valuations and ESG matters.

## Financial reporting risk area

The Audit 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 Audit 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's Administrator, overseen by the Committee:

- obtains a copy of the prices supplied by a third party for the purposes of valuing the interim and year end holdings of investments in CLO Debt and CLO Equity, and ensures that such prices agree to prices used by the Company to value its investments;
- 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; and
- in addition, the Committee supported by BNP Paribas, reviews the Investment Manager's determination of the value of the Company's holdings in other components of the portfolio to ensure that such valuations are reasonable, consistent with their knowledge of the investments concerned and appropriate for inclusion in the financial statements.

The Audit Committee reviews these items 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 discussed, in detail, the valuation sources and process with relevant staff members at the Investment Manager by video conference, given that a physical due diligence visit was not possible. The results of these activities were satisfactory and the Audit Committee has concluded that the investment valuations in this report are fairly stated in accordance with the Company's accounting policies.

## Other financial reporting areas

The Audit 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 Audit Committee has reviewed and challenged 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.

## Internal control

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

# AUDIT COMMITTEE REPORT (CONTINUED)

## **External Audit**

The Auditor, KPMG, presents its audit plan to the Audit Committee prior to each audit. KPMG provided the Audit Committee with an overview of their audit strategy and plan for the year ended 31 July 2021 at a meeting on 30 June 2021. 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.

After carrying out a detailed assessment of KPMG's performance, service level and quality during the 2020 financial year, the Audit Committee concluded that KPMG's performance continued to be highly satisfactory. Consequently, the Audit Committee recommended the reappointment of KPMG as the Company's auditor.

The Audit Committee and KPMG have worked together to ensure that the independence and objectivity of the Auditor and the quality of the audit are maintained. In its formal communications with the Audit Committee, KPMG confirms its compliance with all applicable quality, 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. The Audit Committee has formally reviewed this confirmation, which includes a summary of KPMG's controls to ensure compliance with professional and regulatory standards, and has also noted that no non-audit services have been provided during the year. The Audit 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 and the audit remains of high quality.

## **Non-audit services policy**

It is the Board's intention that services other than audit will not be obtained from the external audit firm, unless there would be considerable advantage to the Company or its Shareholders by so doing. Suitable safeguards against any possible impairment of independence of the Auditor would be implemented in the unlikely event they were retained for such work. The Board has in any event adopted a policy in respect of non-audit services which closely follows that recommended by the AIC.

## **Conclusion on Annual Report**

The Audit 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 their expectations. Accordingly, the Audit 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*  
27 October 2021

# DIRECTORS' REMUNERATION REPORT

This Report describes how the Board has applied the principles of the AIC Code relating to Directors' remuneration.

Ms Kershaw was appointed to the Board with effect from 30 June 2021. There were no other changes to the Board during the year ended 31 July 2021. All Directors, aside from Mr Varotsis, will stand for reappointment at the forthcoming AGM to be held on the 8 December 2021.

## Table of Directors Remuneration

Component	Director	Fee entitlement to 31 July 2020 (€)	Fee entitlement from 1 August 2020 (€)	Purpose of reward
Annual fee	Chairman of the Board Paul Meader	€120,000	€100,000	For commitments as non-executive Directors
	All other Directors			
	Graham Harrison	€88,000	€70,000	
	Stephen Le Page	€88,000	€70,000	
	Paul Varotsis	€88,000	€70,000	
	Dagmar Kershaw	-	€70,000	
Additional annual fee	Stephen Le Page (Chairman of the Audit Committee)	€17,500	€15,000	For additional responsibilities and time commitment
	Graham Harrison (Chairman of the Risk Committee)	€6,000	€5,000	
	Paul Varotsis (Senior Independent Director)	€6,000	None	

Each Director continues to receive 30% of their Director's fee in the forms of shares. The remaining 70% of the fees are paid quarterly in cash. As previously reported the Directors' remuneration shares are purchased in the secondary market. Thus at current levels of discount between the NAV per share and the share price, the true cost to the Company is approximately 5% less than the amount quoted above. Should the shares trade at a premium to NAV in the future, the Directors may seek to amend the policy. These fee arrangements will be next reviewed in June 2023.

The Directors are required to retain their shares for at least one year from their respective dates of issuance. During fiscal year 2021 no Director sold any of their shares.

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 following changes to the Committee Chairs will take effect from the close of the AGM on 8 December 2021:

Steve Le Page will become Senior Independent Director (SID). He will not receive an additional fee.

Graham Harrison will become Chair of the Remuneration Committee and Chair of the Management Engagement Committee. He will not receive an additional fee for these roles.

Dagmar Kershaw will become Chair of the Risk Committee and will receive an additional annual fee of €5,000 as compensation for the additional responsibilities and time commitments involved.

The total amounts of Directors' remuneration for the financial year ended 31 July 2021 are shown in the table below.

Director	Cash €	Shares <sup>1</sup> €	Total €
G Harrison	52,500	22,500	75,000
S Le Page	59,500	25,500	85,000
P Meader	70,000	30,000	100,000
P Varotsis	49,000	21,000	70,000
D Kershaw	4,261	1,826	6,087
<b>Total Directors' remuneration (note 5)</b>	<b>235,261</b>	<b>100,826</b>	<b>336,087</b>
Net settlement of Directors fees share based payment <sup>2</sup>	-	(22,515)	(22,515)
<b>True cost of Director's remuneration for the year</b>	<b>235,261</b>	<b>78,311</b>	<b>313,572</b>

<sup>1</sup>Director remuneration (equity settlement) based on NAV per share.

<sup>2</sup>During the year ended 31 July 2021, the Net settlement of Directors fees share based payment was €22,515 being made up of €22,442 Net settlement of Directors fees share based payment (refer to note 16) and €73 transaction fee which forms part of "Other operating expenses" in the Statement of Comprehensive Income (page 38).

## DIRECTORS' REMUNERATION REPORT (CONTINUED)

The Directors' interests in the Company's share capital are as follows:

	Number of shares at 31 July 2020	Shares purchased on secondary market <sup>*</sup>	Shares purchased directly	Number of shares at 31 July 2021	Shares purchased on secondary market <sup>*</sup> after year end	Number of shares at 27 October 2021
G Harrison	18,024	3,763	none	21,787	773	22,560
S Le Page	33,900	4,253	none	38,153	876	39,029
P Meader	39,065**	4,950	none	44,015 **	1,030	45,045**
P Varotsis	206,330	3,593	none	209,923	721	210,644
D Kershaw ***	Nil	Nil	none	Nil	251	251

\* Shares purchased on the secondary market represent the shares purchased by the Company on the secondary market and transferred to the Directors as part payment of the Directors' fees.

\*\*10,200 and 34,845 Ordinary shares are held by persons closely associated to Paul Meader.

\*\*\* D Kershaw appointed on 30 June 2021.

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 and 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*  
 27 October 2021

# 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 IFRS as issued by the 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, relevant and reliable;
- 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 that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008 (as amended). They are responsible for 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, and 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 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 27 October 2021 and was signed on its behalf by:

**Paul Meader**  
*Chairman*  
27 October 2021

**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 of Volta Finance Limited (the "Company"), which comprise the statement of financial position as at 31 July 2021, the statements of comprehensive income, changes in shareholders' equity and 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 2021, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; 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 judgment, 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 2020):

	The risk	Our response
<b>Financial assets at fair value though profit or loss ("Investments")</b>	<b>Valuation of investments:</b>	<b>Our audit procedures included:</b>
€259,049,217; €201,660,400)	(2020: €259,049,217; €201,660,400)	(2020: €259,049,217; €201,660,400)
Refer to the Audit Committee Report on page 27, note 2.4 accounting policies and notes 3 Determination of fair values and 9 Financial assets at fair value through profit or loss.	<p><b>Basis:</b></p> <p>The Company invests in a portfolio of Investments representing 97.3% (2020: 96.9%) of the Company's net asset value.</p> <p>These Investments are valued using recognised valuation methodologies including:</p> <ul style="list-style-type: none"> <li>• reference prices ("Price Quotes") obtained by the Company's Investment Manager from an independent valuation agent (the "Valuation Agent");</li> <li>• discounted cash flow models generated by the Investment Manager; and</li> <li>• the most recent net asset values or capital accounts provided by the underlying third party administrator of such funds and adjusted by the Investment Manager, as deemed necessary, for funds with non coterminus period ends.</li> </ul>	<p><b>Control evaluation:</b></p> <p>We assessed the design and implementation of the control over the valuation of the Company's Investments.</p> <p><b>Involvement of the Valuation Agent:</b></p> <p>We obtained the Valuation Agent's pricing report. We:</p> <ul style="list-style-type: none"> <li>• assessed the objectivity, capabilities and competence of the Valuation Agent to provide Price Quotes;</li> <li>• assessed the appropriateness of the methodology applied by the Valuation Agent in developing fair value Price Quotes; and</li> <li>• agreed the Price Quotes provided by the Valuation Agent to the valuation of the CLO Debt and Equity positions.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

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## ***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. For those Investments whose fair value is derived by the Investment Manager there is a potential risk of fraud.

## ***Assessing fair value of the Investments***

We performed retrospective testing on realised positions to assess the reliability and accuracy of management's valuation and for any evidence of valuation bias.

With the support of our KPMG valuation specialist we:

- held discussions with the Investment Manager to understand and assess the appropriateness of the valuation methodology applied; and
- determined independent reference prices for all CLO debt and a risk based selection of CLO equity positions, including those held within the Capitalised Manager Vehicle, through the use of fundamental cash flow modelling, sourcing key inputs and assumptions used, such as the default rates, discount margins and prepayment rates, from observable market data. For synthetic corporate credits we utilised market accepted modelling techniques sourcing key inputs, such as credit default spreads and recovery rates, from observable market data to determine independent reference prices.

For the remaining investments the audit team performed the following substantive procedures as applicable to each asset class. We:

- assessed the appropriateness of the valuation approach and methodology applied to each investment;
- tested the discounted cash flow models for integrity, logic and material formula errors. We agreed key inputs to supporting documentation; and
- obtained independent confirmations from third party administrators of the net asset value of the Company's fund investments as at 31 July 2021 (or latest available date). Where non coterminus confirmations are received, we reconciled these, considering adjustments, if any, for liquidity, using supporting documentation such as call and distribution notices, to the valuations recorded by the Company.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

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## **Assessing disclosures:**

We also considered the Company's accounting policy (see note 2.1 d) in relation to the use of estimates and judgements in determining the fair value of Investments, the Company's investment valuation policies and fair value disclosures (see notes 2.4, 3 and 9) for compliance with IFRS.

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## **Our application of materiality and an overview of the scope of our audit**

Materiality for the financial statements as a whole was set at €5,186,000, determined with reference to a benchmark of net assets of €266,332,120, of which it represents approximately 2.0% (2020: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to €3,889,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €259,000, 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.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Company's financial resources or ability to continue operations over this period was the availability of capital to meet operating costs and other financial commitments.

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2.2 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in the notes 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 the going concern period, and that statement is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

## *Fraud and breaches of laws and regulations – ability to detect*

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates such as valuation of unquoted investments. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures; and
- assessing significant accounting estimates for bias.

Further detail in respect of valuation of unquoted investments is set out in the key audit matter section of in this report.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Disclosures of emerging and principal risks and longer term viability**

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. We have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (pages 11 and 12) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (pages 11 and 12) 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.

We are also required to review the Viability Statement, set out on pages 11 and 12 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

## **Corporate governance disclosures**

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- 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;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## **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 31, 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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLTA FINANCE LIMITED (CONTINUED)

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](http://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.

**Dermot Dempsey**

**For and on behalf of KPMG Channel Islands Limited**

*Chartered Accountants and Recognised Auditors*

*Guernsey*

27 October 2021

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2021

	Notes	1 August 2020 to 31 July 2021 €	1 August 2019 to 31 July 2020 €
<b>Operating income and financing charges</b>			
Net gain/(loss) on financial assets at fair value through profit or loss	4	91,588,417	(55,506,930)
Net foreign exchange gain/(loss), including net gain/(loss) on foreign exchange derivatives, but excluding net foreign exchange gain/(loss) on financial assets at fair value through profit or loss		887,450	(1,386,272)
Net (loss)/gain on interest rate derivatives		(336,687)	1,264
Interest expense on repurchase agreement	10	-	(818,655)
Net bank interest (expense)/income		(36,370)	10,272
		92,102,810	(57,700,321)
<b>Operating expenditure</b>			
Investment Manager management fees	19	(3,308,384)	(3,949,976)
Investment Manager performance fees	19	(10,899,550)	-
Operating expenses	5	(1,116,981)	(1,372,916)
		(15,324,915)	(5,322,892)
<b>Comprehensive income/(loss)</b>		76,777,895	(63,023,213)
Basic and diluted earnings per Ordinary share	7	€2.0989	€(1.7229)

## Other comprehensive income

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

The Notes on pages 42 to 73 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2021

	Notes	31 July 2021 €	31 July 2020 €
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	9	259,049,217	201,660,400
Derivatives at fair value through profit or loss	11	2,848,528	2,769,541
Trade and other receivables	12	2,468,082	21,640
Cash and cash equivalents		18,219,413	9,734,631
<b>TOTAL ASSETS</b>		<b>282,585,240</b>	<b>214,186,212</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	-	-
Share premium	15	35,808,120	35,808,120
Other distributable reserves	16	40,611,183	59,253,288
Accumulated gain	16	189,912,817	113,134,922
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>266,332,120</b>	<b>208,196,330</b>
<b>LIABILITIES</b>			
Derivatives at fair value through profit or loss	11	1,369,125	2,831,457
Trade and other payables	13	14,883,995	3,158,425
<b>TOTAL LIABILITIES</b>		<b>16,253,120</b>	<b>5,989,882</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>282,585,240</b>	<b>214,186,212</b>
NAV per Ordinary share	8	€ 7.2807	€5.6914

These financial statements on pages 38 to 73 were approved and authorised for issue by the Board of Directors on 27 October 2021 and were signed on its behalf by:

**Paul Meader**  
*Chairman*  
27 October 2021

**Stephen Le Page**  
*Chairman of the Audit Committee*

The Notes on pages 42 to 73 form part of these financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 JULY 2021

	Notes	Share premium €	Other distributable reserves €	Accumulated gain €	Total €
<b>Balance at 31 July 2019</b>		<b>35,808,120</b>	<b>78,623,648</b>	<b>176,158,135</b>	<b>290,589,903</b>
Total comprehensive income for the year		-	-	(63,023,213)	(63,023,213)
Net settlement of Directors fees share based payment at a discount to NAV	16	-	22,006	-	22,006
Dividends paid in cash	6,16	-	(19,392,366)	-	(19,392,366)
<b>Balance at 31 July 2020</b>		<b>35,808,120</b>	<b>59,253,288</b>	<b>113,134,922</b>	<b>208,196,330</b>
Comprehensive income for the year		-	-	76,777,895	76,777,895
Net settlement of Directors fees share based payment at a discount to NAV	16	-	22,442	-	22,442
Dividends paid in cash	6,16	-	(18,664,547)	-	(18,664,547)
<b>Balance at 31 July 2021</b>		<b>35,808,120</b>	<b>40,611,183</b>	<b>189,912,817</b>	<b>266,332,120</b>

The Notes on pages 42 to 73 form part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021

	notes	1 August 2020 to 31 July 2021 €	1 August 2019 to 31 July 2020 €
<b>Cash flows used in operating activities</b>			
Comprehensive income		76,777,895	(63,023,213)
Adjustments for:			
- Net (gain)/loss on financial assets at fair value through profit or loss	4	(91,588,417)	55,506,930
- Net movement in unrealised gain on revaluation of derivatives	11	(1,541,319)	552,410
- Interest expense on repurchase agreement		-	818,655
- Foreign exchange loss on retranslation of repurchase agreement		-	892,074
- Net settlement of Directors fees share based payment	16	22,442	22,006
- Coupons and dividends received	9,12	40,410,952	39,867,110
(Increase)/decrease in trade and other receivables, excluding amounts due from brokers and interest receivable	12	(2,990)	3,207,429
Increase/(decrease) in trade and other payables, excluding amounts due to brokers	13	10,735,570	(341,080)
<b>Net cash used in operating activities</b>		<b>34,814,133</b>	<b>37,502,321</b>
<b>Cash flows generated from investing activities</b>			
Purchases of financial assets at fair value through profit or loss	9,13	(36,792,070)	(68,081,684)
Proceeds from sales and redemptions of financial assets at fair value through profit or loss	9,12	29,127,265	83,049,171
<b>Net cash generated from investing activities</b>		<b>(7,664,805)</b>	<b>14,967,487</b>
<b>Cash flows used in financing activities</b>			
Dividends paid to Shareholders	6,16	(18,664,547)	(19,392,366)
Repayment of loan financing under repurchase agreement		-	(36,837,437)
Interest paid on repurchase agreement		-	(1,004,000)
<b>Net cash used in financing activities</b>		<b>(18,664,547)</b>	<b>(57,233,803)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>8,484,782</b>	<b>(4,763,995)</b>
Cash and cash equivalents at the beginning of the year		9,734,631	14,498,626
<b>Cash and cash equivalents at the end of the year</b>		<b>18,219,413</b>	<b>9,734,631</b>

The Notes on pages 42 to 73 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2021

## 1. GENERAL INFORMATION

Information regarding the Company and its activities is provided in the Strategic Report on page 10.

## 2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented.

### 2.1 Basis of preparation

#### **a) Statement of compliance**

The financial statements of the Company, which give a true and fair view, and comply with the Companies (Guernsey) Law, 2008 (as amended) and have been prepared in accordance with IFRS issued by the IASB and interpretations issued by the IFRS Interpretations Committee and applicable law.

#### **b) Basis of measurement**

These financial statements have been prepared on a historical cost convention basis, except for the revaluation of financial instruments classified at fair value through profit or loss. The methods used to measure fair value are further disclosed in Note 3.

#### **c) Functional and presentation currency**

These financial statements are presented in Euro (rounded to the nearest whole Euro), which is the Company's functional and presentation 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 principal of its US Dollar investments such that its principal exposure is to the Euro.

#### **d) Use of estimates and judgements**

The preparation of financial statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities 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 an ongoing basis, and include consideration of the impact of COVID-19. 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 include the determination of the fair value as described in:

- Note 3 – Determination of fair values; and
- Note 17 – Financial risk management.

#### **(e) New standards, amendments and interpretations**

Definition of Material (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board has redefined its definition of material, issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of other accounting policies. The amendments do not have a material impact on the Company's financial statements.

A number of amendments and interpretations to existing standards have been issued during the year ended 31 July 2021 that are not relevant to the Company's operations and therefore have no impact on the Company's financial statements.

#### **(f) Standards, amendments and interpretations issued but not yet effective**

IBOR Reform:

As at 31 July 2021, the Company held financial assets at fair value through profit or loss that will be subject to IBOR reforms.

The majority of these positions reference LIBOR and the Company expects them, and other IBORs, to be replaced by SOFR or SONIA near the end of 2022, or other alternative benchmark rates, as applicable.

The Board does not believe that the above will have a significant impact on the fair value of financial instruments.

There are no other standards, amendments to standards and interpretations that are effective or early adopted, that will affect the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.2 Going concern

#### *Statement of going concern*

The Directors have considered the state of financial market conditions at the period end date and subsequently. Although the final economic consequences of the COVID-19 pandemic are still unclear, most financial markets have recovered their initial losses from spring of 2020. In particular, the market for CLOs, the Company's principal investment type, has recovered from its initial falls. Default rates have remained low by historical standards and this is expected to continue in the medium term even when the current level of central bank intervention reduces. To date no impact on cash inflows to the Company has been experienced. The Investment Manager continues to seek to minimise cash out flows through margin calls and other commitments, and the Board has reduced the absolute amount of dividends in proportion to NAV.

Whilst there is of course some uncertainty surrounding future cash inflows – the incidence and impact of defaults in the underlying assets are impossible to predict accurately – the Directors have concluded that any reasonably foreseeable fall in cash inflows would not have a material impact on the Company's ability to meet its liabilities as they fall due over the coming 12 months. Therefore, after making appropriate enquiries, the Directors are 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.

### 2.3 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 Statement of Comprehensive Income under the heading of "Net foreign exchange loss, including net gain/(loss) on foreign exchange derivatives, but excluding net foreign exchange gain/(loss) 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.

### 2.4 Financial instruments

#### *Financial assets*

##### *(a) Classification*

The Company classifies its investments and derivative financial instruments (as applicable – refer below) as financial assets at fair value through profit or loss. Financial assets also include cash and cash equivalents as well as trade and other receivables which are measured at amortised cost.

##### *(b) Recognition, measurement and derecognition*

###### *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. 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 the Statement of Comprehensive Income when incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the Statement of Comprehensive Income.

###### *Derivatives*

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 manage its exposure to interest rate risks or for economic leveraging. Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss and are initially recognised at fair value; attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the Statement of Comprehensive Income. The fair values of derivative transactions are measured at their market prices at the reporting date.

Financial assets 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial Instruments (Continued)

#### *Financial Liabilities*

##### **(a) Classification**

The Company classifies its loan financing received under the repurchase agreement at amortised cost and derivative financial instruments (as applicable – refer above) as financial liabilities at fair value through profit or loss. Financial liabilities also include interest payable on loan financing and trade and other payables which are measured at amortised cost.

##### **(b) Recognition, measurement and derecognition**

Financial liabilities are recognised initially at fair value plus any directly attributable incremental costs of acquisition or issue and are subsequently carried at amortised cost. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### *Loan financing received under the repurchase agreement*

The Company entered into a repurchase agreement with SG under the terms of which SG provided the Company with finance secured against a portfolio of USD CLO Debt securities. The Repo could be terminated by either party with repayment becoming due within one year. On 8 May 2020, the loan financing under the Repo was fully repaid and terminated. Refer to note 10 for further details on the repayment of the Repo in the prior year ended 31 July 2020.

### 2.5 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.

### 2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, money market funds and deposits held at call with banks. Cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### 2.7 Net gain/(loss) on financial assets at fair value through profit or loss

The net gain/(loss) 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. Income from CLOs is recognised on an accruals basis.

The net realised gains/(losses) 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 Statement of Comprehensive Income on the date the Company's right to receive payments is established, which is usually the ex-dividend date.

### 2.8 Operating expenses

Operating expenses are recognised on an accruals basis and are recognised in the Statement of Comprehensive Income.

### 2.9 Taxation

The Company has applied for and been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended by the Director of Income Tax in Guernsey for the current period. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £1,200 per applicant, provided the Company qualifies under the applicable legislation for exemption.

It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

### 2.10 Dividends payable

Dividends to Shareholders are recorded through the Statement of Changes in Shareholders' Equity when they are declared to Shareholders.

### 2.11 Segment reporting

The Directors view the operations of the Company as one operating segment, being investment in a diversified portfolio of structured finance assets. All significant operating decisions are based upon analysis of the Company's investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the chief operating decision-maker (the Board with insight from the Investment Manager).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.12 Share-based payment transactions

The Directors of the Company each receive 30% of their Director's fee for any year in the form of Ordinary 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.

Up until the period ended 31 January 2019, the Directors of the Company each received 30% of their fees in respect of any year in the form of newly issued Ordinary shares at a per share price equal to the most recently available NAV. These newly issued Ordinary shares were recognised as a Director fee expense, with a corresponding increase in equity.

Effective from 1 February 2019, whilst the Company's Ordinary shares continue to trade at a discount to the most recently available NAV, the Directors received 30% of their fees in respect of any year in the form of Ordinary shares purchased on the secondary market. The number of Ordinary shares purchased on the secondary market is determined using the most recently available NAV. The value of the purchased Ordinary shares are recognised as a Director fee expense with a net corresponding increase in equity being the effect of purchasing the shares at a discount to NAV on the secondary market. The Directors may seek to amend the policy, should the Ordinary shares trade at a premium to NAV in the future, resulting in a loss to the Company.

### 2.13 Earnings per Share

The Company presents basic and diluted earnings per share ("EPS") data for its Ordinary Shares. Basic and diluted 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.

### 2.14 Offsetting

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

## 3. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets 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 17.

Where securities have been purchased less than one month prior to the relevant reporting date and up-to-date market prices are otherwise unavailable, such securities will be valued at cost plus accrued interest, if applicable. The valuation methodologies applied, which includes the consideration of the impact of COVID-19 on valuations as applicable, to the Company's financial assets other than recently purchased securities for which up-to-date market prices are unavailable are as follows:

- CLO Equity and Debt securities are valued using prices obtained from an independent pricing source, JP Morgan PricingDirect. The prices obtained from JP Morgan PricingDirect are derived from observed traded prices where these are available, but may be based upon non-binding quoted prices received by JP Morgan PricingDirect from arranging banks or other market participants, or a combination thereof, where observed traded prices are unavailable.
- Fund investments are valued at NAV.
- Warehouse transactions are 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 buffer provided by the gross arranger fee compared to the net arranger fee commonly paid in the market, plus accrued income net of financing costs.
- The majority of other investments including the CMV are valued on a mark-to-model basis using discounted projected cash flow valuations.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 3. DETERMINATION OF FAIR VALUES (CONTINUED)

The Investment Manager reviews the 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. Such adjustments are very rare, are only made after investigating the reasons underlying any differences identified, are also subject to approval by the Investment Manager's internal risk function and are reported to the Risk Committee. One such adjustment was made to a residual tranche price as at 31 July 2021 (no adjustments were made to prices as at 31 July 2020). 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; prepayment rates; and reinvestment profiles. The Investment Manager's 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-to-model 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.

JP Morgan PricingDirect, provide pricing for directly held CLO Debt and CLO Equity tranches, which in aggregate represent 81.7% as at 31 July 2021 (31 July 2020: 71.4%) of the Company's financial assets at fair value through profit or loss.

The Company's policy is to publish its 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 the Company are normally available only after the Company's NAV has already been published. Consequently, such investments are valued using the most recently available NAV.

As at the date of publication of the Company's NAV as at 31 July 2021, approximately 2.8% (31 July 2020: 10.2%) of the Company's financial assets at fair value through profit or loss comprised investments for which the relevant NAVs as at the month-end date were not yet available.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 3. DETERMINATION OF FAIR VALUES (CONTINUED)

In accordance with Volta's valuation policy, the Company's financial assets at fair value through profit or loss as at 31 July 2021 was calculated using prices received from JP Morgan PricingDirect or other market participants for all assets except for those assets noted below:

Asset classes	% of financial assets at fair value through profit or loss as at 31 July 2021	% of financial assets at fair value through profit or loss as at 31 July 2020	Valuation methodology
SCC BBS	4.8%	8.0%	Discounted projected cash flow model-based valuation using discount rates within a range of 8.0% to 12.0% (31 July 2020: 8.0% to 12.0%), constant default rates within a range of 0.3% to 3.0% (31 July 2020: 0.3% to 3.0%), prepayment rates within a range of 0.0% to 25.0% (31 July 2020: 0.0% to 25.0%) and recovery rates within a range of 51.0% to 63.0% (31 July 2020: 51.0% to 63.0%).
Investments in funds (includes ABS Debt, CCC Equity and SCC BBS positions)	2.8%	6.6%	Valued using the most recent valuation statements, or capital account statements where applicable, provided by the respective underlying fund administrators, as adjusted for any cash flows received/paid between that date and 31 July 2021 in respect of distributions/calls respectively.
SSC REO	1.7%	2.9%	Discounted projected cash-flow model-based valuation using a yield of 13.0% (31 July 2020: 10.8%). Each month, forward cash-flows are updated, sold properties and promissory sales are forced to their sales prices, all based on the latest investor reports and internal hypothesis. The hypothesis used includes (i) Forward HPI (31 July 2021: Y1 HPI as per initial forecast then negative HPI curve, Y2-Y5: 0%) (31 July 2020: 0%) (ii) Timing (31 July 2021: Initial Business Plan timing plus six-month additional delay for properties not sold, but that should have been, under initial Business Plan).
Recently purchased assets	0.8%	0.5%	Being purchased within less than one month of the relevant reporting date, these assets were valued at cost which is considered the most appropriate fair value for newly acquired assets.
CLO Warehouse	0.0%	4.0%	Warehouse transactions are 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 buffer provided by the gross arranger fee compared to the net arranger fee commonly paid in the market, plus accrued income net of financing costs.
ABS Residual	1.3%	2.1%	Discounted projected cash flow model-based valuation using a discount rate of 9.0% on the weighted average life of contractual cash flows (31 July 2020: 9.0%) for Fintake European Leasing DAC.
CLO – CMV and Fee Rebates	6.9%	4.5%	CLO notes are valued using a Discounted Cash Flow model based on cash flow projection considering market and comparable transactions parameters.
Total as a percentage of NAV	18.3%	28.6%	

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 4. PUBLISHED NAV RECONCILIATION AND NAV PERFORMANCE ANALYSIS

The following table represents the net gain on financial assets at fair value through profit or loss by asset class for the year ended 31 July 2021:

	Realised gain/(loss) on sales and redemptions on financial assets at fair value through profit or loss	Unrealised gain/(loss) on financial assets at fair value through profit or loss	Coupon and dividend income	Net gain on financial assets at fair value through profit or loss
	€	€	€	€
CLO – USD Equity	1,701,822	15,099,843	17,507,873	34,309,538
CLO – EUR Equity	236,015	16,423,094	16,287,024	32,946,133
CLO – USD Debt	-	12,026,329	3,568,124	15,594,453
CLO – EUR Debt	330,600	56,032	345,131	731,763
CLO – CMV	-	4,273,685	1,606,294	5,879,979
CLO Warehouse	575,467	(30,043)	82,606	628,030
SCC BBS	(465,478)	(1,279,183)	2,037,983	293,322
CCC Equity	(22,582)	1,669,084	331,818	1,978,320
ABS Residual	-	(941,600)	-	(941,600)
ABS Debt	351,133	(203,364)	20,710	168,479
	2,706,977	47,093,877	41,787,563	91,588,417

The following table represents the net loss on financial assets at fair value through profit or loss by asset class for the year ended 31 July 2020:

	Realised gain/(loss) on sales and redemptions on financial assets at fair value through profit or loss	Unrealised gain/(loss) on financial assets at fair value through profit or loss	Coupon and dividend income	Net loss on financial assets at fair value through profit or loss
	€	€	€	€
CLO – USD Equity	(278,988)	(32,884,395)	14,767,685	(18,395,698)
CLO – EUR Equity	60,709	(25,740,721)	11,336,885	(14,343,127)
CLO – USD Debt	(5,758,385)	(17,650,144)	6,931,132	(16,477,397)
CLO – EUR Debt	(650,394)	38,437	93,184	(518,773)
CLO – CMV	-	(4,238,375)	1,341,574	(2,896,801)
CLO Warehouse	-	30,043	-	30,043
SCC BBS	68,674	(3,454,828)	4,163,956	777,802
CCC Equity	(11,676)	(1,798,891)	510,654	(1,299,913)
ABS Residual	(787,800)	(1,369,983)	209,861	(1,947,922)
ABS Debt	354,924	(790,068)	-	(435,144)
	(7,002,936)	(87,858,925)	39,354,931	(55,506,930)

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 5. OPERATING EXPENSES

	Notes	1 August 2020 to 31 July 2021 €	1 August 2019 to 31 July 2020 €
Directors' remuneration and expenses	5.1	(336,087)	(507,031)
Legal fees		(21,410)	(71,422)
Administration fees	5.2	(279,829)	(300,971)
Audit fees, audit related and non-audit related fees	5.3	(170,699)	(113,667)
Insurance fees		(10,185)	(22,058)
Depositary fees		(59,128)	(49,367)
Portfolio valuation and administration fees		-	(16,618)
Other operating expenses		(239,643)	(291,782)
		<b>(1,116,981)</b>	<b>(1,372,916)</b>

### 5.1 Directors' remuneration and expenses

	1 August 2020 to 31 July 2021 €	1 August 2019 to 31 July 2020 €
Directors' fees (cash element)	235,261	351,050
Directors' fees (equity element, settled during the year)	74,250	112,838
Directors' fees (equity element, settled after the year-end)	26,576	37,612
Directors' expenses	-	5,532
	<b>336,087</b>	<b>507,032</b>

Each Director continues to receive 30% of their Director's fee in the forms of shares. The remaining 70% of the fees are paid quarterly in cash. As previously reported the Directors' remuneration shares are purchased in the secondary market. Thus at current levels of discount between the NAV per share and the share price, the true cost to the Company is approximately 5% less than the amount quoted above. By applying this approach the Board have relinquished their right to Director's remuneration of €22,442 (31 July 2020: €22,006). Refer to note 16 for "Net settlement of Directors fees share based payment"

Should the shares trade at a premium to NAV in the future, the Directors may seek to amend the policy. These fee arrangements will be next reviewed in June 2023.

On 26 June 2020, the Company announced a reduction in the directors' fees payable for the financial year commencing 1 August 2020.

On 17 May 2021, the Company announced the appointment of Ms Dagmar Kent Kershaw as an independent non-executive director, with effect from 30 June 2021.

Refer to the Directors Remuneration Report on page 29 for more detail regarding annual rates.

### 5.2 Administration fees

On 31 October 2018, the Company signed an agreement with BNP Paribas (the "Administrator") to provide administrative, compliance oversight and company secretarial services to the Company. Under the administration agreement, the Administrator will be entitled to a minimum annual fixed fee for fund administration services and company secretarial and compliance services. These fees are paid monthly in arrears. Ad hoc other administration services are chargeable on a time cost basis. In addition, the Company will reimburse the Administrator for any out of pocket expenses.

During the year ended 31 July 2021, administration fees incurred were €279,829 (31 July 2020: €300,971).

### 5.3 Audit fees, audit related and non-audit related fees

The audit fee expensed for the financial year ended 31 July 2021 is €170,699 comprising approximately €148k for the year (year ended 31 July 2020: €113,667) and approximately €23k additional fee for the prior year. There were no non-audit services provided to the Company by the Auditor or its affiliates during the year (31 July 2020: £nil).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 6. DIVIDENDS

The following dividends were declared and paid during the year ended 31 July 2021 and during the prior year ended 31 July 2020:

Paid and declared during the year ended 31 July 2021:

Date Declared	Ex-dividend Date	Payment Date	Amount per Ordinary Share €
01/07/2021	15/07/2021	29/07/2021	0.14
17/03/2021	01/04/2021	29/04/2021	0.14
08/12/2020	17/12/2020	22/01/2021	0.12
21/09/2020	01/10/2020	29/10/2020	0.11

Paid and declared during the year ended 31 July 2020:

Date Declared	Ex-dividend Date	Payment Date	Amount per Ordinary Share €
30/06/2020	09/07/2020	29/07/2020	0.11
11/05/2020	21/05/2020	16/06/2020	0.10
21/11/2019	28/11/2019	27/12/2019	0.16
28/08/2019	05/09/2019	26/09/2019	0.16

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.

## 7. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

	1 August 2020 to 31 July 2021 €	1 August 2019 to 31 July 2020 €
Total comprehensive income for the year	76,777,895	(63,023,213)
Basic and diluted earnings per Ordinary share	2.0989	(1.7229)
	Number	Number
Weighted average number of Ordinary shares during the year	36,580,580	36,580,580

## 8. NAV PER ORDINARY SHARE

	31 July 2021 €	31 July 2020 €
Net asset value	266,332,120	208,196,330
Net asset value per Ordinary share	7.2807	5.6914
	Number	Number
Number of Ordinary shares at year end	36,580,580	36,580,580

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in Statement of Comprehensive Income.

	31 July 2021 €	31 July 2020 €
<b>Fair value brought forward</b>	201,660,400	325,525,887
Purchases	37,782,070	52,334,211
Sale and redemption proceeds	(30,194,107)	(81,337,837)
Net gain/(loss) on financial assets at fair value through profit or loss	49,800,854	(94,861,861)
<b>Fair value carried forward</b>	259,049,217	201,660,400

	31 July 2021 €	31 July 2020 €
Realised gain on sales and redemptions on financial assets at fair value through profit or loss	3,549,817	1,749,298
Realised loss on sales and redemptions on financial assets at fair value through profit or loss	(842,840)	(8,752,234)
Unrealised gain on financial assets at fair value through profit or loss	51,988,285	2,155,196
Unrealised loss on financial assets at fair value through profit or loss	(4,894,408)	(90,014,121)
Net gain/(loss) on financial assets at fair value through profit or loss	49,800,854	(94,861,861)

### Fair value hierarchy

IFRS 13 - Fair Value Measurement requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value.

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.

Transfers between levels are determined based on changes to the significant inputs used in the fair value estimation. The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. Further information about the fair value hierarchy is disclosed in Note 9.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### Fair value hierarchy (Continued)

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 2021 and 31 July 2020:

	31 July 2021			Total €
	Level 1 €	Level 2 €	Level 3 €	
Financial assets at fair value through profit or loss:				
– Securities	-	16,002,501	243,046,716	259,049,217
Financial assets at fair value through profit or loss:				
– Derivatives	1,173,064	1,675,464	-	2,848,528
Financial liabilities at fair value through profit or loss:				
– Derivatives	(252,973)	(1,116,152)	-	(1,369,125)
	<b>920,091</b>	<b>16,561,813</b>	<b>243,046,716</b>	<b>260,528,620</b>

	31 July 2020			Total €
	Level 1 €	Level 2 €	Level 3 €	
Financial assets at fair value through profit or loss:				
– Securities	-	-	201,660,400	201,660,400
Financial assets at fair value through profit or loss:				
– Derivatives	-	2,769,541	-	2,769,541
Financial liabilities at fair value through profit or loss:				
– Derivatives	-	(2,831,457)	-	(2,831,457)
	-	<b>(61,916)</b>	<b>201,660,400</b>	<b>201,598,484</b>

The majority of the Company's investments are classified within Level 3 as they have significant unobservable inputs and they may trade infrequently. The sources of these fair values are not considered to be publicly available information. There were 6 CLO Debt positions which transferred from level 3 to level 2. The transfer was considered appropriate because the unobservable input parameters within these valuations are not considered to be significant. The Company has determined the fair values of its investments as described in Note 3. 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 31 July 2021 (open futures and options positions) are classified within Level 1 as their prices are publicly available and they are exchange traded (no interest rate derivative positions were held as at 31 July 2020).

### Financial assets at fair value through profit or loss reconciliation

The following table represents the movement in Level 3 instruments for the year ended 31 July 2021:

	€
<b>Fair value at 1 August 2020</b>	<b>201,660,400</b>
Purchases	37,782,070
Sale and redemption proceeds	(30,194,107)
Realised gain on sales and redemptions on financial assets at fair value through profit or loss	2,706,977
Unrealised gain on financial assets at fair value through profit or loss	47,093,877
Assets transferred out from level 3 to level 2	(16,002,501)
<b>Fair value at 31 July 2021</b>	<b>243,046,716</b>

The following table represents the movement in Level 3 instruments for the year ended 31 July 2020:

	€
<b>Fair value at 1 August 2019</b>	<b>325,525,887</b>
Purchases	52,334,211
Sale and redemption proceeds	(81,337,837)
Realised loss on sales and redemptions on financial assets at fair value through profit or loss	(7,002,936)
Unrealised loss on financial assets at fair value through profit or loss	(87,858,925)
<b>Fair value at 31 July 2020</b>	<b>201,660,400</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### Financial Assets at fair value through profit or loss reconciliation (Continued)

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 year following such re-classification at the fair value as at the date of re-classification.

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 2021 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 analysis are not necessarily based upon the assumptions used by such sources as these are not made available to the Company, as explained in Note 3.

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:

#### *The rate of occurrence of defaults at the underlying loan portfolio level.*

The base case scenario is to project the rate of occurrence of defaults at the underlying loan portfolio level at 2.0% per year which was assumed to approximate the market consensus projected default rate as at 31 July 2021, with an exception for newly issued (less than 12 months) deals for which we set a default rate at zero (base case scenario as at 31 July 2020: 6.0% for the first 12 months, then 3.0% for the following 6 months and then 2.0% 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 below.

#### *The rate of occurrence of prepayments is measured by the CPR at the underlying loan portfolio level.*

The base case scenario is to project a CPR at circa 20% per year for the US and Europe. The Directors consider that reasonably plausible changes in the CPR would be a decrease in the CPR of the underlying loan portfolios from 20% to 10% for the US and 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. The projected impact of a decrease in CPR from 20% to 10% for the US and Europe is detailed in the below table:

The increase in default rate and the decrease in CPR is combined with an increase in discount margin (DM) at which projected cash flows might be discounted in such scenario. In the below table DM (both for CLO debt and CLO Equity positions) has been widened by 300 bps with the increase in default rate to 1.5 times base case scenario, 500 bps for the 2.0x scenario and 150 bps for the CPR scenario.

### As at 31 July 2021

Asset class	% of NAV	Impact of an increase in default rate to 1.5x base case scenario		Impact of an increase in default rate to 2.0x base case scenario		Decrease in CPR from 20% to 10% for US and Europe	
		Price impact	Impact on NAV	Price impact	Impact on NAV	Price impact	Impact on NAV
USD CLO Equity	27.1%	(23.2)%	(6.3)%	(27.9)%	(7.5)%	(4.3)%	(1.2)%
EUR CLO Equity	30.1%	(25.1)%	(7.6)%	(29.0)%	(8.7)%	(3.6)%	(1.1)%
USD CLO Debt	20.3%	(7.8)%	(1.6)%	(18.1)%	(3.7)%	(4.0)%	(0.8)%
EUR CLO Debt	2.2%	(14.9)%	(0.3)%	(22.1)%	(0.5)%	(6.3)%	(0.1)%
<b>All CLO tranches</b>	<b>79.7%</b>		<b>(15.8)%</b>		<b>(20.4)%</b>		<b>(3.2)%</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### CLO tranches (Continued)

As at 31 July 2020

Asset class	% of NAV	Impact of an increase in default rate to 1.5x base case scenario		Impact of an increase in default rate to 2.0x base case scenario		Decrease in CPR from 20% to 10% for US and Europe	
		Price impact	Impact on NAV	Price impact	Impact on NAV	Price impact	Impact on NAV
USD CLO Equity	25.4%	(42.0)%	(10.7)%	(74.2)%	(18.8)%	(8.1)%	(2.1)%
EUR CLO Equity	21.2%	(41.8)%	(8.8)%	(73.7)%	(15.6)%	(7.3)%	(1.5)%
USD CLO Debt	19.0%	(10.9)%	(2.1)%	(18.9)%	(3.6)%	(3.7)%	(0.7)%
EUR CLO Debt	3.2%	(13.2)%	(0.4)%	(21.0)%	(0.7)%	(4.6)%	(0.1)%
<b>All CLO tranches</b>	<b>68.8%</b>		<b>(22.0)%</b>		<b>(38.7)%</b>		<b>(4.5)%</b>

As presented above, a reasonably plausible increase in the default rate in the underlying loan portfolios would have a negative impact on both the debt and equity tranches of CLOs. A decrease in the CPR would have a negative impact on the debt tranches (as principal payment will occur later) and would negatively impact equity tranches as shown above (in such an event excess cash flows to the equity tranches would last longer).

Sensitivity of the CMV position should be inferred from US and European CLO Equity sensitivity analysis.

### Synthetic Corporate Credit Bank Balance Sheet transactions

The investments within this asset class (representing 7.0% (31 July 2020: 12.2%) of the NAV) are first-loss exposures to diversified portfolios of investment grade and sub-investment grade corporate credits. The Directors consider a reasonably plausible change in assumed default rate to be a decrease to 0.5 times or an increase of 1.5 times. Such a change in defaults would be likely to lead to a 5.6% increase or 6.0% decrease respectively in the average prices of these assets, thereby leading to a 0.4% increase or 0.4% decrease respectively in the NAV (31 July 2020: decrease in historical default rate to 0.5x with a price impact of 6.2% with a 0.8% increase in the NAV; increase in default rate to 1.5x with a price impact of (6.7)% with a (0.8)% decrease in the NAV).

As at 31 July 2021

Asset class	% of NAV	Impact of a decrease in assumed default rate to 0.5x		Impact of an increase in assumed default rate to 1.5x	
		Price impact	Impact on NAV	Price impact	Impact on NAV
SCC – BBS	6.7%	5.9%	0.4%	(6.3)%	(0.4)%

As at 31 July 2020

Asset class	% of NAV	Impact of a decrease in assumed default rate to 0.5x		Impact of an increase in assumed default rate to 1.5x	
		Price impact	Impact on NAV	Price impact	Impact on NAV
SCC – BBS	12.2%	6.2%	0.8%	(6.7)%	(0.8)%

### Synthetic Credit – Real Estate Owned Transactions

The Portuguese REO investment comprises residential properties throughout the country, gathered by the bank through the resolution of its NPL processes and then sold on a portfolio basis. The investment is levered through a financing facility. The investment was initially underwritten with a cumulative 4.8% House Price Index (“HPI”) (31 July 2020: 4.8%). Should the Portuguese HPI drop by 5%, the NAV of the Company would decrease by 16bps (31 July 2020: 13bps). Should the HPI increase by 5%, the NAV of the Company would increase by 16bps (31 July 2020: 76bps).

### Cash Corporate Credit Equity transactions

As at 31 July 2021, the Company held two investments in this asset class (Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, representing 1.1% and 1.0% of the NAV, respectively) (31 July 2020: Tennenbaum Opportunities Fund V and Crescent European Specialty Lending Fund, representing 0.9% and 1.7% of the NAV, 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 severity of any such defaults as well as change in enterprise value regarding any equity derived from any restructuring event.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 9. Financial assets at fair value through profit or loss (continued)

### Sensitivity analysis (Continued)

#### Cash Corporate Credit Equity transactions (Continued)

Tennenbaum Opportunities Fund V has a short remaining life, given that the fund is due to mature during October 2022. More than 95.3% of its current portfolio comprises unlisted equities (the largest equity representing 46.0% of the fund) 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 Tennenbaum Opportunities Fund V investment manager may be able to achieve for the underlying assets. As such, the value of this investment is principally dependent on revenue and EBITDA multiples applied to the equity assets. A decrease in revenue and EBITDA multiples would decrease the value of the investment.

Crescent European Specialty Lending Fund is fully drawn down and in its amortisation period. As the largest investment represents circa 12.7% of its current portfolio (31 July 2020: 9.4%), a default of this investment with a 60% recovery rate (31 July 2020: 60%) would lead to a 5 basis points drop (31 July 2020: 4 basis points) in the Company's NAV.

#### ABS Residual positions

As at 31 July 2021, the Company held one investment in this asset class (Fintake European Leasing DAC, representing 1.2% of the NAV) (31 July 2020: representing 2.0% of the NAV).

For Fintake European Leasing DAC, the main risk associated with this position at this point in time is considered to be in the extension risk of the portfolio. A WAL extension of 6 months would result in a drop by 2bps. An opposite WAL reduction would have a symmetrical impact.

#### ABS Debt positions

During the year ended 31 July 2021 the Company redeemed its investment in St Bernard Opportunity Fund I.

As at 31 July 2021, the Company did not hold any investment in ABS Debt position (31 July 2020: one, i.e. St Bernard Opportunity Fund I, representing 2.0% of the NAV).

## 10. LOAN FINANCING RECEIVED UNDER REPURCHASE AGREEMENT

	31 July 2021	31 July 2020
	€	€
Loan financing received under repurchase agreement, opening	-	35,945,363
Loan financing repaid	-	(36,837,437)
Proceeds received from additional loan financing	-	-
Foreign exchange movement	-	892,074
Loan financing received under repurchase agreement, ending	-	-

During the year ended 31 July 2019 the Company entered into a repurchase agreement 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 were subject to repurchase each quarter. Interest was payable on amounts drawn under the Repo at the relevant three-month USD Libor rate plus a margin of 1.50%. The Company had a Repo drawdown balance of \$40.0 million as at 31 July 2019. On 13 December 2019, the Company reduced the loan financing under the Repo from \$40.0 million to \$35.0 million. As a consequence of market uncertainties, mainly due to COVID-19, the Company sought to mitigate its liquidity risk by reducing the Repo drawdown balance to €nil. On the 8 May 2020, the loan financing under the Repo was fully repaid and terminated. No further collateral was delivered by the Company.

During the year ended 31 July 2021, the Company was not a party to any repurchase agreements.

Interest incurred under the Repo during the financial year ended 31 July 2021 amounted to €nil (31 July 20120: €818,655)

## 11. DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

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 17). 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 also uses 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 the event of high volatility in the US Dollar/Euro cross rate. Foreign exchange derivatives are entered into with Crédit Agricole, Merrill Lynch and Citi Bank, with a margin requirement being applicable upon revaluation of such transactions, as outlined in the applicable master offset agreements. The balance on the margin account is included within the total value of the foreign exchange derivative transactions open as at the period-end as presented in the Condensed Statement of Financial Position. Interest rate derivatives are entered into with Goldman Sachs.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 11. DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As at 31 July 2021, there were seven (31 July 2020: four) forward foreign exchange positions, sixteen (31 July 2020: fourteen) foreign exchange option positions, and one (31 July 2020: nil) interest rate derivative positions open.

	31 July 2021 €	31 July 2020 €
Revaluation of foreign exchange forward and option positions:		
– Crédit Agricole – asset	67,667	1,905,225
– Crédit Agricole – (liability)	(926,152)	(1,388,932)
– Merrill Lynch – asset	-	864,316
– Merrill Lynch – (liability)	-	(112,525)
– Citibank – asset	207,797	-
– Citibank – (liability)	-	-
Net margin amount as at the year-end:		
– Crédit Agricole	1,400,000	(600,000)
– Merrill Lynch	-	(730,000)
– Citibank	(190,000)	-
<b>Net carrying value of foreign exchange derivative positions:</b>	<b>559,312</b>	<b>(61,916)</b>
Unrealised (loss)/gain on interest rate derivative positions:		
– Goldman Sachs	(252,973)	-
Net margin amount as at the year end:		
– Goldman Sachs	1,173,064	-
<b>Net carrying value of interest rate derivative positions</b>	<b>920,091</b>	<b>-</b>
<b>Derivatives at fair value through profit or loss - Asset</b>	<b>2,848,528</b>	<b>2,769,541</b>
<b>Derivatives at fair value through profit or loss - Liability</b>	<b>(1,369,125)</b>	<b>(2,831,457)</b>

## 12. TRADE AND OTHER RECEIVABLES

	31 July 2021 €	31 July 2020 €
Prepayments and other receivables	24,630	21,640
Interest receivable	1,376,611	-
Amounts due from brokers	1,066,841	-
	<b>2,468,082</b>	<b>21,640</b>

## 13. TRADE AND OTHER PAYABLES

	31 July 2021 €	31 July 2020 €
Investment Manager management fees	1,827,248	1,976,356
Investment Manager performance fees	10,899,550	-
Directors' fees (shares payable)	26,576	37,612
Amounts due to brokers	1,940,000	950,000
Accrued expenses and other payables	190,621	194,457
	<b>14,883,995</b>	<b>3,158,425</b>

## 14. SHARE CAPITAL

	31 July 2021 Number of shares	31 July 2020 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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 14. SHARE CAPITAL (CONTINUED)

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.

There are no Class C shares currently in issue and there is currently no mechanism by which any Class C shares can be issued in the future (31 July 2020: Nil Class C shares held).

### 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
<b>Balance at 31 July 2019</b>	36,580,580	1	-	36,580,581
Issued to Directors during the year	-	-	-	-
<b>Balance at 31 July 2020</b>	36,580,580	1	-	36,580,581
Issued to Directors during the year	-	-	-	-
<b>Balance at 31 July 2021</b>	36,580,580	1	-	36,580,581

The Directors of the Company receive 30 percent of his or her Director's fee in the form of shares purchased on the secondary market. The Company purchased the following Ordinary shares on the secondary market during the year ended 31 July 2021:

- 4 August 2020: 6,407 Ordinary shares at an average price of €4.65 per share.
- 4 November 2020: 4,071 Ordinary shares at an average price of €4.05 per share.
- 3 February 2021: 3,710 Ordinary shares at an average price of €5.88 per share.
- 7 May 2021: 3,495 Ordinary shares at an average price of €6.06 per share.

Ordinary shares purchased on the secondary market during the year ended 31 July 2020:

- 1 August 2019: 4,760 Ordinary shares at an average price of €7.02 per share.
- 1 November 2019: 4,891 Ordinary shares at an average price of €6.64 per share.
- 3 February 2020: 4,942 Ordinary shares at an average price of €6.60 per share.
- 1 May 2020: 7,433 Ordinary shares at an average price of €4.00 per share

As at 31 July 2021 and 31 July 2020, the Company held no treasury shares. Refer to page 30 for information on Director holdings in the Company's Ordinary shares.

## 15. SHARE PREMIUM ACCOUNT

	Ordinary shares €	Class B share €	Class C shares €	Total €
<b>Balance at 31 July 2019</b>	<b>35,808,120</b>	-	-	<b>35,808,120</b>
Issued to Directors during the year	-	-	-	-
<b>Balance at 31 July 2020</b>	<b>35,808,120</b>	-	-	<b>35,808,120</b>
Issued to Directors during the year	-	-	-	-
<b>Balance at 31 July 2021</b>	<b>35,808,120</b>	-	-	<b>35,808,120</b>

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 16).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 16. RESERVES

	Other distributable reserves €	Accumulated gain €
<b>At 31 July 2019</b>	<b>78,623,648</b>	<b>176,158,135</b>
Total comprehensive loss for the year	-	(63,023,213)
Net settlement of Directors fees share based payment	22,006	-
Dividends paid in cash	(19,392,366)	-
<b>At 31 July 2020</b>	<b>59,253,288</b>	<b>113,134,922</b>
Total comprehensive gain/(loss) for the year		76,777,895
Net settlement of Directors fees share based payment	22,442	-
Dividends paid in cash	(18,664,547)	-
<b>At 31 July 2021</b>	<b>40,611,183</b>	<b>189,912,817</b>

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.

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

## 17. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments are market risk, valuation risk, interest rate risk, currency risk, credit and counterparty risk, concentration risk and liquidity risk.

### 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 frequent 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.

### Valuation risk

Valuation risk is the risk that the investments are incorrectly valued and do not reflect the true value of the investments. 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Valuation risk (Continued)

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 Board.

### 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 Euribor rates as these assets currently benefit from the existence of 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.

Interest rate risk is analysed by the Investment Manager on a frequent 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

Currency risk is the risk that the values of the Company's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's functional currency.

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 exposure is currently expected to be the US Dollar, 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). 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.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Currency risk (Continued)

<i>Currency risk profile as at 31 July 2021</i>	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	101,168,975	157,880,242	-	-	259,049,217
Derivative contracts - assets	1,675,464	1,173,064	-	-	2,848,528
Derivative contracts - liabilities	(1,369,125)	-	-	-	(1,369,125)
Trade and other receivables	2,447,084	-	20,998	-	2,468,082
Cash and cash equivalents	5,197,231	12,987,673	34,004	505	18,219,413
Trade and other payables	(14,724,172)	-	(159,823)	-	(14,883,995)
	94,395,457	172,040,979	(104,821)	505	266,332,120

The following foreign exchange swaps and options were unsettled as at 31 July 2021:

Description of open positions	Nominal amount USD	Average strike price \$/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	101,600,000	1.20
Forward foreign exchange contracts (EUR sold forward vs. USD)	(5,000,000)	1.22
Long position – USD calls vs. EUR	80,000,000	1.10
Short position – USD puts vs. EUR	80,000,000	1.30

	Valuation of foreign exchange derivative positions €
Aggregate revaluation loss	(903,661)
Margin accounts balance – amounts received	2,383,064
Unsettled amount receivable	1,479,403

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

<i>Currency rate sensitivity as at 31 July 2021</i>	Impact of an appreciation in foreign exchange rates by 10% vs €		Impact of a depreciation in foreign exchange rates by 10% vs €	
	Price impact on NAV	Percentage impact on NAV	Price impact on NAV	Percentag e impact on NAV
USD/EUR	17,181,425	6.45%	(17,181,425)	(6.45)%

<i>Currency risk profile as at 31 July 2020</i>	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €	Total €
Financial assets at fair value through profit or loss	82,346,350	119,314,050	-	-	201,660,400
Derivative contracts	(1,442,525)	1,380,609	-	-	(61,916)
Trade and other receivables	8,725	-	12,915	-	21,640
Cash and cash equivalents	2,537,269	6,901,706	295,148	508	9,734,631
Trade and other payables	(2,989,978)	-	(168,447)	-	(3,158,425)
	89,459,841	127,596,365	139,616	508	208,196,330

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Currency risk (Continued)

The following foreign exchange swaps and options were unsettled as at 31 July 2020:

Description of open positions	Nominal amount USD	Average strike price \$/€
Forward foreign exchange contracts (USD sold forward vs. EUR)	81,600,000	1.14
Forward foreign exchange contracts (EUR sold forward vs. USD)	(3,409,404)	1.13
Long position – USD calls vs. EUR	80,000,000	1.05
Short position – USD puts vs. EUR	80,000,000	1.19
		<b>Valuation of foreign exchange derivative positions €</b>
Aggregate revaluation loss		1,268,084
Margin accounts balance – amounts paid		(1,330,000)
Unsettled amount receivable		(61,916)

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

Currency rate sensitivity as at 31 July 2020	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
USD/EUR	12,759,637	6.13%	(12,759,637)	(6.13)%

### Credit 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 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.

CLO residual positions are 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. 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 2021, the Company directly held 19 positions in debt tranches of CLOs (31 July 2020: 17) accounting for 22.6% of Volta's end-of-year NAV (31 July 2020: 22.1%). 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 CLO Debt asset held by the Company, 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit counterparty risk (Continued)

As at the reporting date, the Company held nil (31 July 2020: one) CLO Warehouse investments.

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 of one (31 July 2020: two) investment: French leases ABS Residual position (Fintake European Leasing DAC), representing 100.0% (31 July 2020: 50.6%) of the fair value of this asset class and 1.2% (31 July 2020: 2.0%) of the NAV. In the prior year, a position was held in a fund mainly investing in US RMBS debt tranches (St Bernard Opportunity Fund I), representing 49.4% of the fair value of this asset class and 2.0% of the NAV.

The Cash Corporate Credit assets include two positions: one loan fund (Tennenbaum) and one private debt fund (Crescent). The Synthetic Corporate Credit bucket comprises first-loss positions in credit portfolios, representing 7.0% (31 July 2020: 12.3%) of the NAV. There have not been any credit event on loan fund positions during the year.

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 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.

On 1 August 2018, the Company appointed BNP as Depositary and, subsequently, all of the Company's cash is held with BNP. Bankruptcy or insolvency by BNP 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 any single counterparty, the Board has requested that the Investment Manager should avoid holding cash balances in excess of 6% of GAV at BNP, or in excess of 3% of GAV at any other single counterparty, 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 years of high volatility. As at and during the financial year end, the Company's derivative counterparties were Crédit Agricole Corporate, Merrill Lynch International and Citi Bank.

The Company monitors its counterparty risk by monitoring the credit ratings of Crédit Agricole, Merrill Lynch International, Citi Bank, Goldman Sachs, and BNP Paribas S.A. 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 as at 31 July 2021 are as follows:

Counterparties	Moody's	Standard & Poor's	Fitch
Crédit Agricole	Aa3 (stable)	A+ (stable)	A+ (negative)
Merrill Lynch International	-	A+ (positive)	AA (stable)
Citibank	Aa3 (stable)	A+ (stable)	A+ (stable)
Goldman Sachs	A1 (stable)	A+ (stable)	A+ (stable)
BNP Paribas S.A.	Aa3 (stable)	A+ (stable)	A+ (negative)

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit counterparty risk (Continued)

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 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

Concentration risk is risk of loss in value of an investment portfolio if an individual or group of exposures move together in an unfavorable direction. 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.

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	As at
		31 July 2021	31 July 2020
		% (based on NAV)	% (based on NAV)
CLO	USD CLO Equity	28.0	25.6
	EUR CLO Equity	30.6	21.7
	USD CLO Debt	20.4	19.2
	EUR CLO Debt	2.2	3.2
	CMV	5.8	4.4
	CLO Warehouse	-	3.8
Synthetic Corporate Credit	Bank Balance Sheet transactions	7.0	12.5
Cash Corporate Credit	Cash Corporate Credit Equity	2.1	2.5
ABS	ABS Residual	1.2	2.0
	ABS Debt	-	2.0
Net position	(includes cash, other liquid assets and trade payables)	2.7	3.1

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Concentration risk (Continued)

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 are listed in the table below. These exposures are stated as the gross exposure to the individual issuers listed below of the underlying CLO collateral pool before taking into account the effect of leverage due to the relative subordination of the CLO tranche held by the Company:

As at 31 July 2021		Average exposure to individual issuers in the underlying CLO Equity sub-portfolios as a % of Volta's NAV	Average exposure to individual issuers in the underlying CLO Equity sub-portfolios as a % of Volta's total CLO Equity positions
Issuer name	Industry group		
Altice SFRFP	Diversified Telecommunication Services	0.64%	0.99%
Virgin Media	Media	0.43%	0.66%
EG Group Limited	Retail	0.43%	0.66%
Asurion	Banking, Finance, Insurance & Real Estate	0.39%	0.60%
Froneri International	Beverage, Food & Tobacco	0.35%	0.55%
Panther BF Aggregator 2 LP	Auto Parts & Equipment	0.33%	0.51%
Centurylink	Diversified Telecommunication Services	0.29%	0.44%
White Birch Paper	Forest Products	0.28%	0.43%
Transdigm	Aerospace and Defense	0.27%	0.42%
Flora Food Group	Food Products	0.27%	0.42%
Ineos Group	Chemicals	0.27%	0.42%
Bmc Software	Software	0.27%	0.41%
Calpine	Independent Power and Renewable Electricity Producers	0.25%	0.39%
Lorca Finco	Diversified Telecommunication Services	0.25%	0.38%
Telenet Financing USD	Diversified Telecommunication Services	0.25%	0.38%
GTT Communications	Diversified Telecommunication Services	0.24%	0.38%
Cablevision Systems	Media	0.24%	0.38%
Starfruit Finco B.V.	Chemicals	0.24%	0.37%
Magic Newco	IT Services	0.23%	0.36%
Action Holdings	Retail	0.23%	0.35%

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Concentration risk (Continued)

<i>As at 31 July 2020</i>		Average exposure to individual issuers in the underlying CLO Equity sub-portfolios as a % of Volta's NAV	Average exposure to individual issuers in the underlying CLO Equity sub-portfolios as a % of Volta's total CLO Equity positions
Issuer name	Industry group		
Altice SFRFP	Telecommunications	0.53%	1.13%
EG Group Limited	Retail	0.37%	0.79%
Panther BF Aggregator 2 LP	Auto Parts & Equipment	0.30%	0.65%
Flora Food Group	Food	0.29%	0.62%
Paysafe Group	Internet	0.26%	0.55%
Action Holdings	Retail	0.24%	0.51%
Springer Science & Business	Media	0.24%	0.51%
	Beverage, Food & Tobacco		
Froneri International		0.23%	0.50%
Ziggo	Telecommunications	0.23%	0.49%
GTT Communications	Telecommunications	0.22%	0.46%
Nidda Healthcare Holding	Pharmaceuticals	0.21%	0.44%
Starfruit Finco B.V.	Chemicals	0.20%	0.43%
Telenet Financing USD	Media	0.20%	0.42%
	Healthcare & Pharmaceuticals		
Homevi		0.20%	0.42%
Verisure Holding	Commercial Services	0.19%	0.41%
ION Trading Technologies	High Tech Industries	0.19%	0.40%
	Containers, Packaging & Glass		
Berry Plastics Group		0.19%	0.40%
Amer Sports Oyj	Leisure Time	0.19%	0.40%
	Banking, Finance, Insurance & Real Estate		
Asurion	Real Estate	0.18%	0.39%
Ahlsell AB (publ)	Wholesale	0.18%	0.39%

Based on the current weighting of CLO Equity positions 64.4% of NAV (31 July 2020: 47.3% of NAV), the default as at 31 July 2021 of one underlying loan representing for example 1% (31 July 2020: 1%) of all the CLO Equity underlying portfolios would have caused a decline of approximately 1.8% (31 July 2020: 1.7%) of NAV on a mark-to-market basis, assuming: liquidation of the relevant CLO Equity tranches rather than the continuation of ongoing cash flow receipts from such CLO Equity tranches; a standard recovery rate on the defaulted loan of 65% (31 July 2020: 65%); and, that CLO Equity positions represent, on average, approximately a ten times leverage on the underlying loan portfolios. In practice, at the time of such default, it is likely that the impact on NAV would be mitigated by the fact that CLO Equity valuations take into account the ongoing payments from these positions as well as the liquidation value. 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

A majority of the Company's directly held investments (CLO Debt, most of the Bank Balance Sheet transactions and CLO Equity positions) may be sensitive to spread compression. Spread compression in the loan market might increase the prepayment rate of loans causing the underlying loan portfolio of CLOs to carry a lower spread and then leading to lower ongoing cash flows for the CLO Equity positions. This may be counter-balanced by the ability of CLOs to refinance and/or reset the cost of their liabilities in order to re-establish better terms for the CLO Equity position. CLO Debt and Bank Balance Sheet transactions are issued with a non-call period (usually between two and three years), after such non-call period, in the event of spread compression in these markets, Volta might experience these assets being called and might face the challenge of reinvesting in a context of a lower spread environment. One virtue of having a multi-asset-class strategy is that flexibility exists to re-allocate between asset classes in such cases.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. 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 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 frequent 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 2021*

	Within one year	One to five years	Over five years	Total
	€	€	€	€
<b>Financial assets</b>				
Derivative contracts	2,848,528	-	-	2,848,528
Trade and other receivables	2,468,082	-	-	2,468,082
Cash and cash equivalents	18,219,413	-	-	18,219,413
	23,536,023	-	-	23,536,023
<b>Financial liabilities</b>				
Derivative contracts	1,369,125	-	-	1,369,125
Trade and other payables	14,883,995	-	-	14,883,995
	16,253,120	-	-	16,253,120

*Maturity profile as at 31 July 2020*

	Within one year	One to five years	Over five years	Total
	€	€	€	€
<b>Financial assets</b>				
Derivative contracts	2,769,541	-	-	2,769,541
Trade and other receivables	21,640	-	-	21,640
Cash and cash equivalents	9,734,631	-	-	9,734,631
	12,525,812	-	-	12,525,812
<b>Financial liabilities</b>				
Derivative contracts	2,831,457	-	-	2,831,457
Trade and other payables	3,158,425	-	-	3,158,425
	5,989,882	-	-	5,989,882

### 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 loan financing received under the Repo in prior years.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (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 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.

## 18. INTERESTS IN OTHER ENTITIES

### Interests in unconsolidated structured entities

IFRS 12 defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements.

A structured entity often has some of the following features or attributes:

- A.) restricted activities;
- B.) a narrow and well defined objective;
- C.) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; And
- D.) financing in the form of multiple contractually linked instruments that create concentrations of credit or other risks.

### Involvement with unconsolidated structured entities

The company has concluded that positions in which it invests, that are not subsidiaries for financial reporting purposes, meet the definition of structured entities because:

- the voting rights in the positions are not the dominant rights in deciding who controls them, as they relate to administrative tasks only;
- each of the positions activities are restricted by its prospectus; and
- the positions have narrow and well-defined objectives to provide investment opportunities to investors.

The Company's purpose is to provide access to various forms of underlying credit assets and it does this by investing in various entities which are structured in such a way as to enable the Company to obtain access to a diversified pool of such assets. These entities are created and promoted by various parties (and sometimes by the Company's own investment manager), to facilitate such access by various investors, but never solely for the Company's benefit. The Company's maximum notional holding out of all the notional holdings of any single entity is 33.3%. Other than uncalled commitments totalling €5.1m, the Company has no contingent liabilities to any of these entities or to other participants in them, nor does it provide financial support, or intend to provide financial support, to any party. The Company fair values all such structured entities and so the maximum loss it can suffer is capped at the current carrying value plus uncalled commitments.

IFRS 12 requires certain information to be disclosed in respect of "unconsolidated structured entities" to enable users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in an unconsolidated structured entity; and
- the effects of those interests on its financial position, financial performance and cash flows.

The Directors believe that such information is provided in various places in these financial statements, and in the paragraph above, but the following table summarises the information required by IFRS 12 in respect of the principal classes of structured entities held by the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 18. INTERESTS IN OTHER ENTITIES (CONTINUED)

### Interests in unconsolidated structured entities (Continued)

Below is a summary of the Company's holdings in non-subsiary unconsolidated structured entities as at 31 July 2021:

Structured Entity ("SE")	Line item in the statement of financial position	Nature	No of Investments	Range of the size of SEs Notional in €m	Average Notional of SEs in €m	Company's Holding Fair Value in €m	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses and commitments in €m	Other*
<b>Mezzanine Note CLOs</b>									
<b>North America</b>									
Country of Incorporation: Cayman Islands	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	16	255-525	408	54.2	20.9%	54.2	Non-recourse
<b>Europe</b>									
Country of Incorporation: Ireland	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	3	252-295	322	5.9	2.3%	5.9	Non-recourse
<b>Total Mezzanine Note CLOs</b>	<b>Financial assets at FVTPL</b>		<b>19</b>			<b>60.1</b>	<b>23.2%</b>	<b>60.1</b>	<b>Non-recourse</b>
<b>Income Note CLOs</b>									
<b>North America</b>									
Country of Incorporation: Cayman Islands	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	16	36-614	355	70.1	27.1%	70.1	Non-recourse
Country of Incorporation: Cayman Islands	Financial assets at FVTPL	Middle Market sub-Investment Grade Secured Loans	1	381	381	2.9	1.1%	2.9	Non-recourse
<b>Europe</b>									
Country of Incorporation: Ireland	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	17	295-454	399	74.2	28.7%	74.2	Non-recourse
Country of Incorporation: Luxembourg	Financial assets at FVTPL	Real Estate properties	1	44	44	4.3	1.6%	4.3	Non-recourse
Country of Incorporation: Netherlands	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	3	361-417	396	6.0	2.3%	6.0	Non-recourse
<b>Total Income Note CLOs</b>	<b>Financial assets at FVTPL</b>		<b>38</b>			<b>157.5</b>	<b>60.8%</b>	<b>157.5</b>	<b>Non-recourse</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

Structured Entity ("SE")	Line item in the statement of financial position	Nature	No of Investments	Range of the size of SEs Notional in €m	Average Notional of SEs in €m	Company's Holding Fair Value in €m	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses and commitments in €m	Other*
Investment Funds									
North America									
Country of Incorporation: United States	Financial assets at FVTPL	Directly originated sub-Investment Grade Secured Loans Residential Mortgage Backed Securities	2	208-224	216	5.5	2.1%	7.7	Non-recourse
Country of Incorporation: France	Financial assets at FVTPL	Leases to corporates	1	37	37	3.3	1.3%	3.3	Non-recourse
Country of Incorporation: Jersey	Financial assets at FVTPL	Subordinated Notes	1	460	460	15.4	6.0%	15.4	Non-recourse
Total Investment Funds	Financial assets at FVTPL		4			24.3	9.4%	24.3	Non-recourse
Total			61			241.9	93.4%	244.1	

As at 31 July 2021, the Company did not hold any subsidiaries.

The Company has a percentage range of 0.01% - 33.3% notional holding out of the entire outstanding notional balances of the structured entities as at 31 July 2021.

During the financial year ended 31 July 2021, the Company did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support. The assessment was done for the Company as a whole.

\* The investments are non-recourse securities with no contingent liabilities, where the Company's maximum loss is capped at the current carrying value.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 18. INTERESTS IN OTHER ENTITIES (CONTINUED)

### Interests in unconsolidated structured entities (Continued)

Below is a summary of the Company's holdings in non-subsidiary unconsolidated structured entities as at 31 July 2020:

Structured Entity ("SE")	Line item in the statement of financial position	Nature	No of Investments	Range of the size of SEs Notional in €m	Average Notional of SEs in €m	Company's Holding Fair Value in €m	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses and commitments in €m	Other*
<b>Mezzanine Note CLOs</b>									
<b>North America</b>									
Country of Incorporation: Cayman Islands	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	14	316-528	411	40.0	19.8%	40.0	Non-recourse
<b>Europe</b>									
Country of Incorporation: Ireland	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	3	252-296	277	6.6	3.3%	6.6	Non-recourse
Total Mezzanine Note CLOs	Financial assets at FVTPL		17			46.6	23.1%	46.5	Non-recourse
<b>Income Note CLOs</b>									
<b>North America</b>									
Country of Incorporation: Cayman Islands	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	14	109-521	386	50.6	25.1%	50.6	Non-recourse
Country of Incorporation: Cayman Islands	Financial assets at FVTPL	Middle Market sub-Investment Grade Secured Loans	1	384	384	1.3	0.6%	1.3	Non-recourse
<b>Europe</b>									
Country of Incorporation: Ireland	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	15	135-479	395	48.6	24.1%	53.2	Non-recourse
Country of Incorporation: Luxembourg	Financial assets at FVTPL	Real Estate properties	1	77	77	5.9	2.9%	8.8	Non-recourse
Country of Incorporation: Netherlands	Financial assets at FVTPL	Broadly Syndicated sub-Investment Grade Secured Loans	2	363-417	390	3.8	1.9%	3.8	Non-recourse
Total Income Note CLOs	Financial assets at FVTPL		33			110.2	54.6%	117.7	Non-recourse

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

Structured Entity ("SE")	Line item in the statement of financial position	Nature	No of Investments	Range of the size of SEs Notional in €m	Average Notional of SEs in €m	Company's Holding Fair Value in €m	% of Total Financial Assets at Fair Value through Profit or Loss	Maximum exposure to losses and commitments in €m	Other*
Investment Funds									
North America									
Country of Incorporation: Cayman Islands	Financial assets at FVTPL	Directly Originated sub-Investment Grade Secured Loans and Residential Mortgage Backed Securities	2	48-459	253	7.6	3.8%	9.7	Non-recourse
Country of Incorporation: United States	Financial assets at FVTPL	Directly originated sub-Investment Grade Secured Loans and distressed Equities	1	131	131	1.8	0.9%	1.8	Non-recourse
Country of Incorporation: Ireland	Financial assets at FVTPL	Leases to corporates	1	37	37	4.2	2.1%	4.2	Non-recourse
Country of Incorporation: Jersey	Financial assets at FVTPL	Subordinated Notes	1	337	337	9.1	4.5%	11.6	Non-recourse
Total Investment Funds	Financial assets at FVTPL		5			22.7	11.3%	27.3	Non-recourse
Total			55			179.5	89.0%	191.6	

As at 31 July 2020, the Company did not hold any subsidiaries.

The Company has a percentage range of 0.3% - 23.3% notional holding out of the entire outstanding notional balances of the structured entities as at 31 July 2020.

During the financial year ended 31 July 2020, the Company did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support. The assessment was done for the Company as a whole.

\* The investments are non-recourse securities with no contingent liabilities, where the Company's maximum loss is capped at the current carrying value.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 19. RELATED PARTIES

### Transactions with Directors

For disclosure of Directors' remuneration, refer to Note 5. As at the year ended 31 July 2021, Directors' fees to be paid in cash of €nil (31 July 2020: €nil) had been accrued but not paid. Directors' fees to be paid in shares of € 26,576 (31 July 2020: €37,612) had been accrued but not paid and Directors' expenses of €nil (31 July 2020: €nil) had been accrued but not paid.

As at 31 July 2021, the Directors of the Company owned 0.86% (31 July 2020: 0.86%) of the voting shares of the Company.

### Transactions with the Investment Manager

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

Under the revised fee basis, AXA IM is entitled to receive from the Company an investment manager fee equal to the aggregate of:

- a) an amount equal to 1.5% of the lower of NAV and €300 million; and
- b) 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 investment management fee is 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 investment management fee payable to AXA IM is subject to reduction for investments in AXA IM Managed Products as set out in the Company's Investment Guidelines. During the year, the investment management fees earned were €3,308,384 (year ended 31 July 2020: €3,949,976). Investment management fees accrued but unpaid as at 31 July 2021 were €1,822,883 (year ended 31 July 2020: €1,976,356).

Under the amended and restated IMA, the Investment Manager is also 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 performance fees accrued for the year ended 31 July 2021 were €10,899,550 (year ended 31 July 2020: €nil).

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 4.8% of NAV as at 31 July 2021: Adagio V CLO DAC Subordinated Notes; Adagio VI CLO DAC Subordinated Notes; Adagio VII CLO DAC Subordinated Notes; Adagio VIII CLO DAC Subordinated Notes; Bank Capital Opportunity Fund and Bank Deleveraging Opportunity Fund. (31 July 2020: 8.0% of NAV: Adagio V CLO DAC Subordinated Notes; Adagio VI CLO DAC Subordinated Notes; Adagio VII CLO DAC Subordinated Notes; Adagio VIII CLO DAC Subordinated Notes; Bank Capital Opportunity Fund; Bank Deleveraging Opportunity Fund and St Bernard Opportunity Fund I (Series 6)).

The investments in Bank Capital Opportunity Fund and Bank Deleveraging Opportunity Fund are classified as AXA IM Managed Products and the investments in Adagio V CLO DAC Subordinated Notes, Adagio VI CLO DAC Subordinated Notes, Adagio VII CLO DAC Subordinated Notes and Adagio VIII CLO DAC Subordinated Notes are classified as Restricted AXA IM Managed Products.

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 AXA IM Managed Products, 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 investments in Adagio V CLO DAC Subordinated Notes, Adagio VI CLO DAC Subordinated Notes and Adagio VII CLO DAC Subordinated Notes are classified as Restricted AXA IM Managed Products, AXA IM earns investment management fees at the level of the Restricted AXA IM Managed Product rather than at the Company level. It is, however 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 Restricted AXA IM Managed Products and AXA IM Managed Products, (as detailed above), 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.

AXA Group held 30.23% (31 July 2020: 30.23%) of the voting shares in the Company as at 31 July 2021 and 30.23% (31 July 2020: 30.23%) as at the date of approval of this report.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

## 20. COMMITMENTS

As at 31 July 2021, the Company had the following uncalled commitments outstanding:

- a) CMV – \$nil (31 July 2020: \$2,976,785) remaining commitment from an original commitment of \$20,000,000;
- b) Crescent European Specialty Lending Fund (a Cash Corporate Credit Equity transaction exposed to sub-investment grade corporate credits) – €2,219,381 (31 July 2020: €2,295,788) remaining commitment from an original commitment of €7,500,000; and
- c) REO transaction 2019-1 – €nil (31 July 2020: €2,868,961) remaining commitment from a revised commitment of €8,805,075.

## 21. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Company from 1 August 2021 to 27 October 2021, the date the financial statements were available to be issued. No particular event has materially affected the Company. However, the following points are pertinent:

On 2 August 2021, the Company purchased 3,651 Ordinary shares of no par value in the Company at an average price of €6.165 per share. These Ordinary shares purchased in the secondary market were transferred to the Directors as part payment of their Directors' fees, as allocated below:

Graham Harrison - 773 Ordinary shares  
Stephen Le Page - 876 Ordinary shares  
Paul Meader – 1,030 Ordinary shares  
Paul Varotsis - 721 Ordinary shares  
D Kershaw – 251 Ordinary shares

On 10 September 2021, Mr Paul Meader, transferred 2,089 shares in the Company to a person closely associated to him. Following this transaction the total interests in the Company of Mr Meader (and his Closely Associated Persons) remain unchanged to him at 45,045 shares.

On 15 September 2021, the Company declared a quarterly interim dividend of €0.14 per share, which was paid on the 30 September 2021, amounting to €5.12 million.

# ALTERNATIVE PERFORMANCE MEASURES DISCLOSURE

FOR THE YEAR ENDED 31 JULY 2021

## Alternative performance measures disclosure

In accordance with ESMA Guidelines on APMs the Board has considered what APMs are included in the Annual Financial Report and financial statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

### NAV to market price discount / premium

The NAV per share is the value of all the Company's assets, less any liabilities it has, divided by the total number of Ordinary Shares. However, because the Company's Ordinary shares are traded on the Euronext Amsterdam and London Stock Exchange, the share price may be higher or lower than the NAV. The difference is known as a discount or premium. The Company's discount / premium to NAV is calculated by expressing the difference between the share price (closing price)<sup>1</sup> and the NAV per share on the same day compared to the NAV per share on the same day.

The discount or premium per Ordinary share is a key indicator of the discrepancy between the market value and the intrinsic value of the Company.

At 31 July 2021, the Company's Ordinary shares traded at €6.02 on the Euronext Amsterdam (31 July 2020: €4.38). The Ordinary shares traded at a discount of 17.3% (31 July 2020: discount of 23.0%) to the NAV per Ordinary share of €7.2807 (31 July 2020: €5.6914).

### Ongoing charges

The ongoing charges ratio for the year ended 31 July 2021 was 1.78% (31 July 2020: 2.13%). The AIC's methodology for calculating an ongoing charges figure is based on annualised ongoing charges of €4,390,240 (31 July 2020: €5,238,923) divided by average NAV in the period of €246,625,779 (31 July 2020: €246,263,447).

#### Calculating ongoing charges

The ongoing charges are based on actual costs incurred in the year excluding any non-recurring fees in accordance with the AIC methodology. Expense items have been excluded in the calculation of the ongoing charges figure when they are not deemed to meet the following AIC definition:

"Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs."

Please refer below for ongoing charges reconciliation for the years ended 31 July 2021 and 31 July 2020:

	31 July 2021 €	31 July 2020 €
Expenses included in the calculation of ongoing charges figures, in accordance with AIC's methodology:		
Management fees	(3,308,384)	(3,949,976)
Legal and professional fees	(251,453)	(192,003)
Administration fees	(615,916)	(808,002)
Sundry expenses	(214,487)	(288,942)
<b>Total ongoing charges for the year</b>	<b>(4,390,240)</b>	<b>(5,238,923)</b>

#### Calculating an average NAV

The AIC's methodology for calculating average NAV for the purposes of the ongoing charges figure is to use the average of NAV at each NAV calculation date. On this basis the average NAV figure has been calculated using the monthly published NAVs over the years ended 31 July 2021 and 31 July 2020.

### Internal Rate of Return

The Internal Rate of Return is calculated as the gross projected future return on Volta's investment portfolio as at 31 July 2021 under standard AXA IM assumptions. As at 31 July 2021 the IRR is 12.7% (31 July 2020: 17.7%).

The IRR is calculated using projected cash flows and a DCF model from the investment portfolio, which are consistent with the Company's accounting policies.

<sup>1</sup> - Source: Bloomberg

# ALTERNATIVE PERFORMANCE MEASURES DISCLOSURE (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

Alternative performance measures disclosure (CONTINUED)

## Dividend Yield

During the year, the Board have changed the methodology of calculating the Dividend Yield as outlined below:

- Old measurement basis: Dividend yield was calculated as total dividends paid during the financial period divided by the share price as at year end.
- New measurement basis: Dividend yield is calculated by annualising the last dividend paid during the financial period, divided by the share price as at year end.

Dividend yield is calculated to measure the Company's distribution of dividends to the Company's Ordinary Shareholders relative to share price to allow comparability to other companies in the market.

Dividend yield is calculated as follows under the old measurement basis:

	<b>31 July 2021</b>
Dividends declared and paid for the quarter ended 30 September 2020	0.11
Dividends declared and paid for the quarter ended 31 December 2020	0.12
Dividends declared and paid for the quarter ended 30 April 2021	0.14
Dividends declared and paid for the quarter ended 31 July 2021	0.14
<b>Total dividends declared in respect of the year ended 31 July 2021</b>	<b>0.51</b>
Share price as at 31 July 2021	6.02
<b>Dividend Yield</b>	<b>8.5%</b>
	<b>31 July 2020</b>
Dividends declared and paid for the quarter ended 30 September 2019	0.16
Dividends declared and paid for the quarter ended 31 December 2019	0.16
Dividends declared and paid for the quarter ended 30 April 2020	0.10
Dividends declared and paid for the quarter ended 31 July 2020	0.11
<b>Total dividends declared in respect of the year ended 31 July 2020</b>	<b>0.53</b>
Share price as at 31 July 2020	4.38
<b>Dividend Yield</b>	<b>12.1%</b>

Dividend yield is calculated as follows under the new measurement basis:

	<b>31 July 2021</b>
Last Dividends declared and paid for the year ended 31 July 2021	0.14
<b>Annualised Dividend for the year ended 31 July 2021</b>	<b>0.56</b>
Share price as at 31 July 2021	6.02
<b>Dividend Yield</b>	<b>9.3%</b>
	<b>31 July 2020</b>
Last Dividends declared and paid for the year ended 31 July 2020	0.11
<b>Annualised Dividend for the year ended 31 July 2020</b>	<b>0.44</b>
Share price as at 31 July 2020	4.38
<b>Dividend Yield</b>	<b>10.0%</b>

## NAV total return

NAV total return per share is calculated as the movement in the 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 year end.

The one year NAV total return is calculated over the period 1 August 2020 to 31 July 2021.

NAV total return summarises the Company's true growth over time while taking into account both capital appreciation and dividend yield.

NAV total return per share has been calculated as follows:

	<b>1 August 2020 to 31 July 2021</b>	<b>1 August 2019 to 31 July 2020</b>
	<b>€</b>	<b>€</b>
Opening NAV per share as disclosed in the SOFP	5.6914	7.9438
Closing NAV per share as disclosed in the SOFP	7.2807	5.6914
	1.5893	(2.2524)
<b>Capital return per share (%)</b>	<b>27.9%</b>	<b>(28.4)%</b>
Dividends paid during the year as disclosed above	0.5100	0.5300
<b>Impact of dividend re-investment (%)</b>	<b>9.9%</b>	<b>5.9%</b>
NAV total return per share	2.0993	(1.7224)
<b>NAV total return per share (%)</b>	<b>37.8%</b>	<b>(22.5)%</b>

# ALTERNATIVE PERFORMANCE MEASURES DISCLOSURE (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

Alternative performance measures disclosure (CONTINUED)

## Share Price total return

Share price total return is calculated as the movement in the share price plus the total dividends paid per share during the financial year, with such dividends paid being re-invested at the share price, as a percentage of the share price as at year end.

<sup>1</sup>- Source: Bloomberg

Share Price Total Return per share has been calculated as follows:

	1 August 2020 to 31 July 2021	1 August 2019 to 31 July 2020
	€	€
Opening share price per Euronext	4.38	7.00
Closing share price per Euronext	6.02	4.38
	1.64	(2.62)
<b>Share price movement (%)</b>	<b>37.4%</b>	<b>(37.4)%</b>
Dividends paid during the year as disclosed above	0.51	0.53
<b>Impact of dividend re-investment (%)</b>	<b>14.0%</b>	<b>14.9%</b>
Share Price total return	2.15	(2.09)%
<b>Share Price total return (%)</b>	<b>51.4%</b>	<b>(22.5)%</b>

# LEGAL AND REGULATORY DISCLOSURES

## Alternative Investment Fund Managers Directive

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 appointed BNP 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 17 to the financial statements. Information regarding the total amount of leverage employed by the Company is disclosed in Note 13 to the financial statements. None of the Company’s assets are subject to special arrangements arising from their illiquid nature, where “special arrangements” refers to arrangements such as side pockets, gates or other similar arrangements, whereby the rights of some investors, usually over certain assets, differ from those of other investors. Note 17 to the financial statements and the Principal Risk Factors section commencing on page 18 of this report describe 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 2020 and 2019 to all AXA Investment Managers Group personnel, split into fixed and variable remuneration paid <sup>(1)</sup>**

	<b>2020 Total</b>	<b>2019 Total</b>
Fixed remuneration <sup>(2)</sup> (€ million)	236.1	229.3
Variable remuneration <sup>(3)</sup> (€ million)	263.2	262.3
Number of staff <sup>(4)</sup>	2,516	2,530

# LEGAL AND REGULATORY DISCLOSURES (CONTINUED)

## Staffing and remuneration disclosures regarding the AIFM (CONTINUED)

**Aggregate remuneration paid and/or awarded<sup>(1)</sup> for the calendar year 2020 and 2019 to senior management and members of staff whose actions have a material impact on the risk profile of Volta**

	Managers and other employees having a direct impact on the risk profile of Volta	Other senior executives	2020 Total
Fixed remuneration <sup>(2)</sup> and variable <sup>(3)</sup> remuneration (€ million)	107.9	99.8	207.7
Number of staff <sup>(4)</sup>	224	88	312

	Managers and other employees having a direct impact on the risk profile of Volta	Other senior executives	2019 Total
Fixed remuneration <sup>(2)</sup> and variable <sup>(3)</sup> remuneration (€ million)	110.9	109.5	220.3
Number of staff <sup>(4)</sup>	224	101	325

### Notes:

(1) Information on remuneration does not include employer contributions.

(2) Fixed remuneration comprises the base salary and all other components of fixed remuneration paid in the calendar year.

(3) Variable remuneration comprises discretionary, immediate and deferred elements of variable pay and includes:

- amounts allocated on account of the performance of the previous year and paid out in full during the calendar year (variable, non-deferred remuneration);
- amounts allocated on account of the performance of previous years and the calendar year and paid out in instalments subject to maintaining the performance over several years (variable deferred remuneration); and
- long term incentive bonuses awarded by the AXA Group.

(4) The total number of employees includes permanent and temporary contracts other than internships at calendar year.

## 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 FCA 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.

# BOARD OF DIRECTORS



# BOARD OF DIRECTORS (CONTINUED)

## **01. Graham Harrison**

### **Independent Director - appointed 19 October 2015**

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. Dagmar Kent Kershaw**

### **Independent Director – appointed 30 June 2021**

Ms Kent Kershaw has over 25 years' experience in financial markets, leading and developing fund management and alternative debt businesses. She headed Prudential M&G's debt private placement activities, and launched its Structured Credit business in 1998, which she led for ten years. In 2008, she joined Intermediate Capital Group to head its European and Australian credit business including institutional funds, CLOs, direct lending and hedge funds. Since 2017, she has held non-executive positions and is currently a director of Brooks Macdonald plc and Aberdeen Smaller Companies Income Trust Plc, and a Senior Advisor to Strategic Value Partners. Ms Kent Kershaw holds a BA in Economics and Economic History from York University.

## **03. Stephen Le Page**

### **Independent Director – appointed 16 October 2014**

Mr Le Page has served as a non-executive director on a number of boards since his retirement from his role as Senior Partner (equivalent to Executive Chairman) of PwC in the Channel Islands in 2013. Throughout his thirty year career with that firm he worked with many different types of financial organisation as both auditor and advisor, particularly with both listed and unlisted investment companies. He is currently the Audit Committee Chair of five London listed funds. 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.

## **04. Paul Meader**

### **Chairman and Independent Director – appointed 15 May 2014**

Mr Meader is an independent director of investment companies, insurers and investment funds. Until 2012 he was Head of Portfolio Management for Canaccord Genuity, based in Guernsey, prior to which he was Chief Executive of Corazon Capital. He has over 35 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 GFSC and past Chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford.

## **05. Paul Varotsis**

### **Senior Independent Director – appointed 9 November 2006**

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.

# COMPANY INFORMATION

## **Volta Finance Limited**

Company registration number: 45747 (Guernsey, Channel Islands)

### **Registered office**

BNP Paribas House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA  
Channel Islands

### **Investment Manager**

**AXA Investment Managers Paris S.A.**  
Tour Majunga La Défense 6 Place de la Pyramide  
92800 Puteaux  
France

Website: [www.voltafinance.com](http://www.voltafinance.com)

### **Administrator and Company Secretary BNP Paribas Securities Services S.C.A., Guernsey Branch<sup>1</sup>**

BNP Paribas House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA  
Channel Islands

### **Corporate Broker and Corporate Finance Advisor Cenkos Securities plc**

6.7.8 Tokenhouse Yard London  
EC2R 7AS  
United Kingdom

### **Depository**

#### **BNP Paribas Securities Services S.C.A., Guernsey Branch<sup>2</sup>**

BNP Paribas House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA  
Channel Islands

### **Independent Auditor**

#### **KPMG Channel Islands Limited**

Glategny Court  
Glategny Esplanade  
St Peter Port  
Guernsey  
GY1 1WR  
Channel Islands

### **Legal advisors as to English Law**

#### **Herbert Smith Freehills LLP**

Exchange House  
Primrose Street  
London  
EC2A 2EG  
United Kingdom

### **Listing agent (Euronext Amsterdam)**

#### **ING Bank N.V.**

Bijlmerplein 888  
1102 MG Amsterdam  
The Netherlands

### **Legal advisors as to Dutch Law**

De Brauw Blackstone Westbroek N.V.  
Claude Debussylaan 80  
PO Box 75084  
1070 AB Amsterdam  
The Netherlands

### **Registrar**

Computershare Investor Services (Guernsey) Limited  
C/o Queensway House Hilgrove Street  
St Helier  
Jersey  
JE1 1ES  
Channel Islands

### **Legal advisors as to Guernsey Law**

Mourant Ozannes  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 4HP  
Channel Islands

<sup>1</sup> BNP Paribas Securities Services S.C.A. Guernsey Branch is regulated by the GFSC

### **Listing Information**

The Company's Ordinary shares are listed on Euronext Amsterdam and the premium segment of the London Stock Exchange's Main Market for listed securities. The ISIN number of the Company's listed shares is GG00B1GHHH78 and the tickers for the relevant markets are listed below:

- Euronext Amsterdam Stock Exchange, Euro quote: VTA.NA
- London Stock Exchange, Euro quote: VTA.LN
- London Stock Exchange, Sterling quote: VTAS.LN

# GLOSSARY

Definitions and explanations of methodologies used:

<b>Terms</b>	<b>Definitions</b>
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 effective from 1 January 2019.
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.
AMF	The Autorité des marchés financiers is the stock market regulator in France.
Annualised cash flow yield	Calculated as sum of coupons over the last financial year divided by opening NAV.
APM	Alternative performance measure. We assess our performance using a variety of measures that are not specifically defined under IFRS as adopted by the EU and are therefore termed alternative performance measures. The APMs that we use may not be directly comparable with those used by other companies. The APMs disclosed in the Annual Report and Audited Financial Statements reflect those measures used by management to measure performance. These APMs provide readers with important additional information and will enable comparability of performance in future periods. The calculation methodology of each APM has been disclosed on pages 74 to 75.
Articles	the Articles of Incorporation of the Company.
Auditors	KPMG Channel Islands Limited
AXA IM, Investment Manager or Manager	AXA Investment Managers Paris S.A.
BBS	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.
BNP Paribas	BNP Paribas Securities Services S.C.A. Guernsey Branch.
Board	the Board of Directors of the Company.
CCC or Cash Corporate Credit	Deals structured credit positions predominantly exposed to corporate credit risks by direct investments in cash instruments (loans and/or bonds).
CCC Equity	Cash Corporate Credit Equity.
Centkos, Corporate Broker or Broker	Centkos Securities plc.
CLOs or CLO	Collateralised Loan Obligations.
Company or Volta	Volta Finance Limited, a limited liability company registered in Guernsey under the Companies (Guernsey) Law 2008 (as amended) with registered number 45747.
CMV or Capitalised Manager Vehicle	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.
CPR	Constant prepayment rate.
CRS	Common Reporting Standard.
Discount - APM	Calculated as the NAV per share as at 31 July 2021 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 - APM	Last quarter dividend paid during the financial period 31 July 2021 annualised, divided by the share price as at 31 July 2021.
DM	Discount Margin.
ECB	European Central Bank.
Enterprise value	a Measure of the company's total value.
EPS	Earnings per share.
Euronext Amsterdam	Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.
EU	The European Union.
EU PRIIPs rules	The European Union rules in relation to packaged retail and insurance-based investment products.
FAFVTPL	Financial assets at fair value through profit and loss.
FATCA	United States of America Foreign Account Tax Compliance Act.
Fidal	Largest leading independent business law firm in France.
Financial year	The period from 1 August 2020 to 31 July 2021.
FRC	Financial Reporting Council (United Kingdom).
GAV	Gross Asset Value 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/counterparties; all of the Company's cash; all open derivative positions revalued to the month-end fair value, net of any margin amounts paid or received.
GFC	Global Financial Crisis 2008.
GFSC	Guernsey Financial Services Commission.
HPI	House price index.
IGA	Intergovernmental Agreement.
IASB	International Accounting Standards Board.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
IFRS 9	International Financial Reporting Standards 9, "Financial Instruments".
IMA	Investment Management Agreement.
IRR	Internal rate of return.
JP Morgan Pricing Direct	An independent valuation service which is a wholly-owned subsidiary of JPMorgan Chase & Co.
KPMG	KPMG Channel Islands Limited.
LSE	London Stock Exchange.
Memorandum	the Memorandum of Incorporation of the Company.

## GLOSSARY (CONTINUED)

NAV	Net asset value.
NAV Total Return - APM	NAV total return per share is calculated as the movement in the 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 year end.
NPL	Non-performing loan.
Ordinary shares	Ordinary shares of no par value in the share capital of the Company.
Projected portfolio IRR	Calculated as the gross projected future return on Volta's investment portfolio as at 31 July 2021 under standard AXA IM assumptions.
Prospectus	Final prospectus dated 4 December 2006.
Refi	Consist in refinancing part or all of the debt tranches of a CLO while operating very modest changes in the CLO documentation.
REO	Real Estate Owned.
Repo	Repurchase agreement entered into with Société Générale.
Reset	Consist in calling all the debt tranches of a CLO, re-marketing a full new debt package, with new CLO documentation, almost as if it is a new CLO.
RMBS	Residential mortgage-backed securities, which are a sub-classification of ABS.
SCC BBS	Synthetic Corporate Credit Bank Balance Sheet.
SG	Société Générale S.A.
Share or Shares	All classes of the shares of the Company in issue.
Shareholder	Any Ordinary Shareholder.
Share price Total Return - APM	The percentage increase or decrease in the share price on Euronext Amsterdam plus the total dividends paid per share during the reference period, with such dividends re-invested in the shares. Obtained from Bloomberg using the TRA function.
SME	Small and medium-sized enterprises.
SOFP	Statement of Financial Position.
SSC or Synthetic Corporate Credit Underlying Assets	Structured credit positions predominantly exposed to corporate credit risks by synthetic contracts. 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.
UK code	UK Corporate Governance Code 2018, effective from 1 January 2019.
US	United States of America.
USD	United States Dollar.
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.
WAL	Weighted average life.

# NOTICE OF MEETING

## **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 fifteenth Annual General Meeting of the Company**

In accordance with the Company's Articles of Incorporation (the "Articles"), notice is hereby given that the fourteenth Annual General Meeting of the Company will be held at the Company's registered office, BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GW1 1WA, Channel Islands, at 09:30hrs GMT on Wednesday 8 December 2021.

## **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 2021, including the reports of the Board of Directors of the Company (the "Board") and the Auditor (together the "Accounts").
- (2) To re-appoint KPMG Channel Islands Limited of Gategny Court, Gategny 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 2022.
- (4) To re-elect Graham Harrison as an Independent Director of the Company.
- (5) To elect Dagmar Kershaw as an Independent Director of the Company.
- (6) To re-elect Stephen Le Page as an Independent Director of the Company.
- (7) To re-elect Paul Meader as an Independent Director of the Company.
- (8) To approve the quarterly dividend policy of paying approximately 8% of NAV per annum, absent of a notable change in circumstances, with a dividend payment date in January, April, July and October.

### ***Special Business***

#### **To consider and, if thought fit, pass the following as Special Business:**

### ***Special Resolution***

- (9) **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 3,658,058 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 9.

# NOTICE OF MEETING (CONTINUED)

## Ordinary Resolution

- (10) 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:
- the maximum number of Ordinary shares hereby authorised to be acquired is 5,483,429, representing not more than 14.99% of the issued Ordinary share capital of the Company as at the date of this notice;
  - the minimum price (excluding expenses) payable by the Company for each Ordinary share is €0.01. 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 (ii) shall not apply where the purchases would not bear the risk of breaching the prohibition on market abuse);
  - 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
  - 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.

\* See directors biographies on page 80

## Notes

- The Company's Accounts were published on 27 October 2021.
- Copies of the Company's Memorandum and Articles of Incorporation and its 2020 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, BNP Paribas Securities Services S.C.A. Guernsey Branch, BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA, Channel Islands ([guernsey.bp2s.volta.cosec@bnpparibas.com](mailto:guernsey.bp2s.volta.cosec@bnpparibas.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](http://www.voltafinance.com)).
- Only those investors holding Ordinary shares as at 14:00hrs GMT on 6 December 2021 shall be entitled to attend and/or exercise their voting rights attached to such shares at the AGM.
- 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.
- 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.
- 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.
- More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
- The quorum requirements for the conduct of Ordinary Business and Special Business are set out under Article 17 of the Articles.
- 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).
- 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  
**BNP Paribas Securities Services S.C.A., Guernsey Branch**  
Company Secretary  
27 October 2021