VOLTA FINANCE LIMITED

ANNUAL REPORT AND ACCOUNTS 2011

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

FORWARD-LOOKING STATEMENTS

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

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

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

KEY POINTS 2011

- NET ASSET VALUE (“NAV”) OF €142.6 MILLION (€4.63 PER SHARE) AT 31 JULY 2011, AN INCREASE OF 44.62% FROM €98.6 MILLION AT 31 JULY 2010 (€3.25 PER SHARE)
- A PROPOSED DIVIDEND OF €0.22 PER SHARE FOR THE SECOND HALF YEAR PERIOD FROM 1 FEBRUARY 2011 TO 31 JULY 2011 IN ADDITION TO A €0.22 DIVIDEND PAID FOR THE FIRST HALF OF THE YEAR
- NET PROFIT OF THE COMPANY FOR THE YEAR WAS €31.0 MILLION, OR €1.01 PROFIT PER SHARE, TAKING INTO ACCOUNT THE RECOGNITION OF NET REVERSAL OF PREVIOUSLY RECOGNISED IMPAIRMENTS ON 10 CLOs[1] AND IMPAIRMENT RECOGNITION ON ONE ASSET (PROMISE MOBILITY), THE MARK-TO-MARKET GAINS OF ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS AND THE MARK-TO-MARKET LOSSES OF DERIVATIVE FINANCIAL INSTRUMENTS
- THE INVESTMENTS HELD BY THE COMPANY GENERATED €23.2 MILLION OF INTEREST OR COUPONS DURING THE FINANCIAL YEAR
- OVER THE FINANCIAL YEAR, THE INVESTMENT STRATEGY HAS MAINLY BEEN TO INVEST CASH IN CDOs[2] FOLLOWING THE STABILISATION OF MARKET CONDITIONS. THE CASH HOLDINGS WERE €8.9 MILLION AT THE YEAR END AGAINST €3.3 MILLION AT THE BEGINNING OF THE YEAR
- DURING THE FINANCIAL YEAR, THE COMPANY PURCHASED ASSETS FOR €34.3 MILLION, SOLD ASSETS FOR €18.8 MILLION AND REDEEMED ASSETS FOR €9.3 MILLION, WHICH CONTINUED TO INCREASE ITS ASSET BASE
- AS OF 31 JULY 2011, THE COMPANY HELD INVESTMENTS IN THREE UNDERLYING ASSET CLASSES (CDOs, CORPORATE CREDITS[3] AND ABS[4])
- THE COMPANY INTENDS TO CONTINUE PURSUING INVESTMENT OPPORTUNITIES THAT ARE CONSISTENT WITH ITS OBJECTIVE OF PAYING A DIVIDEND IN LINE WITH THE ANNUAL 10% OBJECTIVE DESCRIBED IN THE CHAIRMAN’S STATEMENT WHILST AT THE SAME TIME INCREASING ITS ASSET BASE
- OPERATING EXPENSES AS A PERCENTAGE OF AVERAGE NAV FOR THE FINANCIAL YEAR ENDED 31 JULY 2011 WERE 2.89% COMPARED TO 2.17% AT 31 JULY 2010, PRIMARILY AS A RESULT OF HIGHER FEES PAYABLE TO THE INVESTMENT MANAGER AS A RESULT OF IMPROVED PERFORMANCE

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

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CORPORATE SUMMARY FOR THE YEAR ENDED 31 JULY 2011

THE COMPANY

Volta Finance Limited (the "Company" or "Volta Finance" or "Volta") is a closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law, 2008.

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

INVESTMENT OBJECTIVE[1]

The Company's investment objectives are to seek to preserve capital and to provide a stable stream of income to its shareholders through dividends that it expects to distribute on a semi-annual basis. Subject to the risk factors that were described in the Company's Initial Public Offering Prospectus ("IPO") and the risk factors that are described in Note 21, it seeks to attain its investment objectives by pursuing a multi-asset class investment strategy, although investments made during the annual period were predominantly concentrated in assets leveraging corporate credit exposures. The investment strategy focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. Whilst the Company's investment objectives remain unchanged, as stated in the Chairman's Statement and the Investment Manager's Report, considering the discount to par at which most of these assets could be purchased, part of the expected return for most of the recent and future investments may come from back loaded cash flows corresponding to principal payments in addition to expected ongoing cash flows.

The assets that the Company may invest in either directly or indirectly include, but are not limited to: Corporate Credits; sovereign and quasi-sovereign debt; residential mortgage loans; automobile loans; student loans; credit card receivables; leases; and debt and equity instruments in infrastructure products (the "Primary Underlying Assets"). There can be no assurance that the Company will achieve its investment objectives.

The Company's approach to investments in these Primary Underlying Assets is through vehicles and arrangements that essentially provide exposure to portfolios of Primary Underlying Assets. In this regard, the Company instructed AXA Investment Managers Paris (the "Investment Manager" or "AXA IM") to pursue the Company's investment strategy for the annual period covered by this report by concentrating on three asset classes among the "Primary Target Asset Classes": Corporate Credits; CDOs; and ABS. As at the financial year end, the Company held assets in its portfolio divided amongst those three Primary Target Asset Classes: Corporate Credits; CDOs (almost uniquely exposed to leveraged loans); and ABS.

THE INVESTMENT MANAGER

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

ASSET VALUES

At 31 July 2011, the Company's NAV was €142.6 million with the NAV per share amounting to €4.63. The Company publishes its NAV on a semi-annual basis and its Gross Asset Value ("GAV") monthly.

NAV is an expression of the total value of the Company which takes into account the current fair value of the Company's investments, accruals for debtors and the amount of the Company's liabilities. The Company's NAV at 31 July 2011 can be seen in the Statement of Financial Position on page 34 (Total shareholders' equity line).

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

DURATION

The Company has a perpetual life.

WEBSITE

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

LISTING INFORMATION

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

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

The closing price of the Company's listed shares quoted on Euronext Amsterdam at 31 July 2011 was €3.91 per share.

The average closing price of the Company's listed shares quoted on Euronext Amsterdam over the year ended 31 July 2011 was €3.57 per share.

PROVISIONAL FINANCIAL CALENDAR

31 October 2011	Announcement of results for the year ended 31 July 2011 and publication of the 2011 annual report
16 December 2011	Annual General Meeting
19 December 2011	Ex-dividend date
21 December 2011	Record date
16 January 2012	Dividend payment date

[1] Investment objectives forms an integral part of the financial statements. Refer to Note 21 Capital Risk Management.

CHAIRMAN'S STATEMENT

During the annual period ended 31 July 2011, Volta continued to demonstrate its ability to create value for shareholders in these still challenging and uncertain times for financial markets and the global economy.

The value of the Company's assets increased strongly. Over the period, the NAV went from €98.6 million as at 31 July 2010 to €142.6 million as at 31 July 2011, reflecting the situation where experienced investors in structured finance assets have been able to purchase such assets with significant discounts and to sell some positions that offered smaller discount margins.

During the annual period the Company continued to focus its investments predominantly on assets that are principally exposed to Corporate Credit risk. Most investments took place in the CLO area.

This period was marked by an increase in the actual cash flows received from Volta's assets. €23.2 million of interest and coupons were collected from Volta's assets over the annual period as compared with €16.3 million in the preceding annual period.

The Company booked one impairment for €5.5 million following a review of the expected cash flows conducted as at the end of July 2011 on Promise Mobility, a transaction backed by German Small and Medium Enterprise loans. Largely as a result of the revaluation of previously impaired assets (mostly residual tranches of CLOs) and of derivative positions, there was a profit of €31.0 million (or €1.01 per share) for the annual period ended 31 July 2011, compared to a profit of €39.8 million for the previous annual period ended 31 July 2010.

During the annual period, the Company's investment strategy was to take advantage of market opportunities to invest most of the cash that was available as well as executing some asset switches in order to increase or stabilise Volta's expected asset cash flows. Over the period, the equivalent of €32.3 million was invested and assets have been sold for €16.3 million and redeemed for €6.7 million (excluding the purchase, sale and redemption of short-term ABS assets for €2.0 million, €2.5 million and €2.6 million, respectively).

€8.9 million was held in cash at the end of the annual period compared with €3.3 million at the end of July 2010. These amounts include collateral amounts posted against derivative contracts (for currency hedge).

The Board remains committed to transparency and continues to offer a high level of information on the Company's assets and investment strategy. In addition, over the annual period, the Company had regular contacts with equity analysts in order to improve the coverage of the Company by the financial community. The Board remains, as usual, available to address shareholders' questions via conference calls such as the one to be held after the release of this report.

DIVIDEND

The Board of Directors of Volta is proposing a dividend of €0.22 per share which amounts to €6.8 million for the semi-annual period ended 31 July 2011. This dividend is in addition to the €0.22 per share interim dividend paid in April 2011. These payments are based on the Company's current general objective to pay, to the extent possible and reasonable, a dividend of approximately 10% per annum of the Company's NAV excluding cash at the end of the relevant period. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by The Companies (Guernsey) Law, 2008. The Board of Directors is also proposing to invite Volta shareholders to vote at the forthcoming Annual General Meeting ("AGM") to allow shareholders the option of receiving this dividend and all future ones in either cash or Volta shares.

OUTLOOK

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

In accordance with the Investment Manager's advice, the Company intends to favour assets that are expected to have ongoing stable cash flows at the time of purchase. Volta will continue to consider investments for which redemption of principal is expected to form a significant portion of the anticipated total return. It should be expected, considering the valuation of CLO tranches at the time of writing, that the Company will continue investing in such assets even though other structured finance assets leveraging corporate credit exposures should be considered as well.

Depending on the ability to execute trades at reasonable prices, some trades are likely to consist of switching positions into transactions which, at the time of the switch, the Investment Manager considers to offer better value.

JAMES GILLIGAN
CHAIRMAN
21 OCTOBER 2011

INVESTMENT MANAGER'S REPORT

1. OVERVIEW

During the annual period, Volta continued investing mainly in mezzanine debt tranches of CLOs and succeeded in increasing, at the same time, the generation of cash flows coming from the assets. This investment strategy facilitated increased dividend payments to shareholders as well as increased NAV of the company from €98.6 million (€3.25 per share) to €142.6 million (€4.63 per share).

GENERATION OF CASH FLOWS

› **Volta's assets generated €23.2 million of interest or coupons over the annual period**
This annual amount represents 23.5% of Volta's beginning of period net asset value and could be compared to €16.3 million in the previous annual period. From the total of €23.2 million, €10.3 million was received in the first half of the period and €12.9 million in the second half, illustrating the regular increase in cash flow generation from Volta's asset base.

Volta should continue to receive a significant amount of interest and coupons relative to its NAV in the upcoming annual period. Furthermore, it should be noted that close to 54% of Volta's end-of-period GAV is made up of debt assets bought at a significant discount to par for which redemption of principal amount, rather than ongoing coupons, are expected to account for a significant portion of the anticipated rate of return on the assets.

DIVIDEND PAYMENTS CONTINUE TO INCREASE IN LINE WITH THE VALUE OF THE ASSETS

› **For the annual period ended 31 July 2011, Volta's Board has proposed to pay a dividend of €0.22 per share (€6.8 million) in January 2012 to complement the €0.22 per share dividend already paid in April 2011**

› **Volta proposes to submit to its shareholders at the upcoming AGM assembly the possibility to offer such dividend payment and all dividends thereafter in shares or cash depending on the wishes of each shareholder**
During the annual period, the amount of actual coupons and interest payments received by Volta represented 1.7 times the dividend payments, demonstrating Volta's ability to pursue an investment strategy that facilitates a consistent dividend policy coupled with an increase in the total asset base of the Company.

INVESTMENTS

› **Volta purchased the equivalent of €32.3 million in investments (€46.7 million of nominal), sold the equivalent of €16.3 million of assets (€24.4 million of nominal) and received partial redemption of principal amounts for the equivalent of €6.7m (excluding the management of short term ABS positions)**

› **The average expected internal rate of return ("IRR") of Volta's purchases during the annual period was 15%**
During the annual period, Volta continued to concentrate its investments predominantly in the CLO area. The performance on most CLO tranches over the annual period confirmed that it was correct to consider these assets as undervalued and demonstrated that this choice was beneficial to the Company.

Thanks to the ability of Volta to purchase assets at significant discounts, during the annual period, the total nominal amount of Volta's assets, including cash, increased from €187.7 million to €208.1 million.

All investments, concerned assets for which, under a reasonable default scenario run at the time of purchase, full principal payment was expected at maturity. This assumption is still valid at the time of writing this report. Considering current opportunities in the market and assuming no major economic crisis, Volta's ability to increase the principal amount of its assets is likely to slow down compared to the latest period but should remain in the area of €5 million to €10 million for the next annual period.

THE NAV OF THE COMPANY

› **During the annual period, Volta's NAV went from €98.6 million, or €3.25 per share, at the end of July 2010 to €142.6 million, or €4.63 per share, at the end of July 2011**
This significant increase in NAV reflects actual improvements in current payments and in expected cash flows from Volta's assets and the ability of the Investment Manager to select assets that were rightly considered as undervalued at the time of purchase. At a time of uncertainty regarding government debt sustainability, the choice of the Company to reinvest predominantly in assets where performance relies on corporate credit seems to be appropriate. Indeed, actual default rates of corporate names decreased and were significantly below what was reflected in the beginning of period valuations.

According to various default scenarios (detailed in Section 4 hereafter) linked to the ratings of the underlying portfolios, it can be considered that Volta's end of period NAV still reflected stressed scenarios in terms of default and a significant discount rate on the cash flows resulting from these scenarios.

NEAR TERM EXPECTATIONS[2]

At the end of the period, twelve-month rolling default rates in most of the credit sectors continued to decline and were expected, by rating agencies and most market participants, to carry on being modest for the coming quarters. This should be positive for Volta's assets in terms of ongoing cash flows despite overall rising uncertainties.

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

- improve the expected cash flows from the Company's investments through various asset switches while considering the diversity of assets held by the Company; and
- re-invest the ongoing cash flows generated by the portfolio in order to pursue diversification and increase the asset base while keeping in mind the need to finance future dividend payments.

An indication of important events that have occurred since the end of the financial year is provided in Note 24 of the Notes to the Financial Statements.

PAST PERFORMANCES

Considering that some of the currently active investors or potential investors in Volta with whom the Company have been in contact for several periods now looked at Volta as a meaningful investment inside equity type portfolios and that Volta is a listed company investing mainly in US dollar and euro corporate assets its performance could be compared to equity markets. As of the end of July 2011 the performance was as follows[3]:

	1 year %	2 years %	3 years %	Since Volta launch %
GAV performance (including dividend payments)	45.3	171.9	2.0	(39.6)
Share performance (dividends not re-invested)*	62.9	391.3	141.5	(47.7)
Share performance (dividends re-invested in the share)*	**79.2**	**431.5**	**294.1**	**(16.1)**
S&P 500 (dividends re-invested in shares)*	16.7	36.2	7.6	—
MSCI Euro (dividends re-invested in shares)*	4.0	14.5	(7.3)	(18.9)

* Figures given by Bloomberg using the COMP function.

Overall, since Volta's launch in December 2006, the performance of an investor reinvesting its dividend in the share is not far different from one of the large equity indexes. Considering the fact that the structured finance assets market was the hardest and the first to be hit in 2007/2008, the performances of Volta over the most recent annual periods was respectable relative to large equity indexes.

As a result of the last two years of significant performance and for the first time, the Investment Manager will receive €1.3 million of performance fees for the annual period. Performance fees are based on the performance of the assets, as measured by the Distribution Income and depends on semi-annual and bi-annual performance measures (see more detail about the Distribution Income on pages 59 to 61).

GENERAL OUTLOOK

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

- increase the diversification of its portfolio (from 57 assets at the beginning of the annual period to 63 assets at the end of the period) even though the investments were mainly in CLO tranches;
- increase the nominal amount of Volta's assets;
- increase the ability of the portfolio to better resist economic or financial stress (most of the investments concerned mezzanine tranches of CLOs that are second or even higher ranked loss tranches);
- increase the level and the stability of ongoing interest and coupons received by the Company (€23.2 million of interest and coupon payments received during the annual period); and
- maintain a level of expected return in line with the Company's objectives.

At the time of writing it appears that discount margins of structured finance assets have increased due to uncertainties regarding the financial and fiscal situation of developed countries. This situation widens the range of investments that could be targeted by the Investment Manager. As in the past Volta should be well placed to exploit such a situation, given that it has access to experienced investment teams, few constraints in terms of ratings and almost no liabilities.

[2] Near term expectations forms an integral part of the financial statements. Refer to Note 21 Capital Risk Management.

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

INVESTMENT MANAGER'S REPORT CONTINUED

1. OVERVIEW CONTINUED

GENERAL OUTLOOK CONTINUED

A description of the principal risks and uncertainties that the Company faces is provided in Note 21 of the Notes to the Financial Statements but it should be noted that if the current sovereign debt crisis, especially in the Euro Zone, degenerates into a more general and profound economic crisis, the positioning of the Company, predominantly toward Corporate Credit exposures, even if it has been a correct choice for the last three years could generate some significant losses.

2. INVESTMENTS

Whilst Volta had initially focused on investments at the residual level, the high level of discount margins during the annual period on mezzanine tranches of structured finance assets has enabled the Company to purchase assets benefiting from more subordination. In line with this development, the Company purchased 22 different assets for a total of the equivalent of €32.3 million over the course of the annual period ended 31 July 2011 (excluding short-term ABS assets purchased to enhance cash management):

- €26.7 million was used to purchase 18 tranches of CLO (eight in US dollar, ten in euro) initially rated between AA and BB (one AA, three A, six BBB and eight BB tranches);
- €2.3 million was used to purchase US dollar residual tranches of CLOs (one single tranche and a portfolio of 30 tranches, Prelude, managed by AXA IM Paris);
- €2.9 million was used to purchase one original AAA and currently first-pay tranches of a CDO of ABS; and
- €0.4 million was used to purchase a residual tranche of Corporate Credit portfolio.

It should be noted that the Company has continued to invest in US dollar-denominated assets, especially in tranches of CLOs in order to benefit from the greater ability of US dollar CLOs as compared to those in euros to improve their situation by benefiting from a more liquid underlying loan market and a seemingly more stable political and economic environment.

In addition, €2.0 million was used to purchase one short-term European ABS in order to enhance the cash management of the Company. This asset was sold during the period to favour greater opportunities.

During the annual period, Volta sold €18.8 million of assets. The rationale behind these sales was to improve Volta's capability to generate cash flows through re-investment in higher yielding assets and to disengage from debt tranches at rates of return that were lower than Volta's general target.

In addition to re-investments made during the annual period, important variations in the relative performance of asset classes have also changed the Company's asset allocation since 31 July 2010.

TABLE 1 – VOLTA FINANCE ASSET ALLOCATION BASED ON MARK-TO-MARKET PRICES (BASED ON GAV)*

Asset classes		As at 31 July 2011 %	As at 31 July 2010 %
Corporate Credit	First loss tranches	**7.6**	9.9
	Mezzanine tranches	**8.0**	8.2
CDO	Residual tranches of CLOs	**29.3**	30.4
	Mezzanine tranches of CLOs	**44.2**	38.3
	CDO of ABS	**1.8**	—
ABS		**3.5**	8.7
Cash		**5.6**	5.6

* GAV of €101.4 million as at 31 July 2010 and GAV of €145.2 million as at 31 July 2011. The valuation of each asset class takes into account the valuation of the individual assets and of the derivatives hedging the asset class. Figures do not add up to 100% due to rounding.

One of the benefits of the investment programme conducted during the latest period has been to improve the diversification of the Company's portfolio and to increase the value of Volta's assets by concentrating most investments in one asset class (tranches of CLOs) that was considered undervalued relative to other structured finance asset classes.

Overall, the investment strategy aims to invest in assets able to deliver an adequate return (on average, assets purchased during the annual period were expected to deliver close to 15% return under a base case scenario). Considering their second or third loss ranking position, if default rates were twice rating agencies' expectations (everything else being equal), the return coming from the vast majority of Volta's purchases during the annual period would not have been materially different than the one expected at purchase.

3. INVESTMENT PORTFOLIO

As at 31 July 2011, Volta held assets divided amongst three asset classes: CDOs (most of them are exposed to leveraged loans); Corporate Credit; and ABS.

It should be noted that the vast majority of the portfolio's assets as at 31 July 2011, had exposure to underlying portfolios of Corporate Credit positions (corporate loans, bonds and CDS on corporates).

CDOs

All the positions in this asset class, except one CDO of ABS, are residual or mezzanine debt tranches of CLOs.

RESIDUAL TRANCHES OF CLOs
As at 31 July 2011 the Company held thirteen positions in residual tranches of loan portfolios:

- eleven classic residual tranches of CLOs (residual tranches represent between 8% and 12% of the capital structure of the deal and give access with an eight to twelve times leverage to the excess cash flows of the structure);
- one position in a structured vehicle (Prelude) managed by AXA IM Paris that gives access to the payments of 30 different CLO residual positions; and
- one position in a loan fund specialising in special situations (Tennenbaum Opportunities Fund).

The last position, Tennenbaum, is regularly making its payments and has low leverage. Tennenbaum still represents a notable portion of the mark-to-market value of the CDO residual holdings (22% of the bucket at the end of the annual period against 34% at the beginning). The investment manager of Tennenbaum succeeded in reducing the leverage of the fund before the height of the crisis and has managed the portfolio so as to take advantage of the various investment opportunities that were allowed by the very nature of the fund. For example, this fund has the possibility to invest in debtor-in-possession or bankruptcy exit loans, or even to take equity ownership when loans default.

RESILIENCE OF PAYMENTS FROM RESIDUAL TRANCHES OF CLO
During the annual period, the ten classic residual positions held since the beginning of the period generated €9.5 million of interest payments (for a valuation of €17.5 million at the end of July 2010) despite the fact that two of them were still unable to pay any interest due to the breach of over collateralisation tests. Residuals of CLOs were valued at €30.4 million at the end of July 2011.

The eight classic US dollar residual positions held since early/mid 2007 had accumulated payments of $37 million at the end of July 2011, representing 77% of their nominal value ($48 million). The two EUR residual positions held since early/mid 2007 had accumulated payments of €5.9 million at 31 July 2011, representing 66% of their nominal value (€9.0 million). Altogether, these cash flows are 10% higher than the cash flows that were projected at the purchase date using the weighted average rating factor ("WARF") of each underlying portfolio at that time (between 2% and 3% of default per year was projected depending on each transaction.

CLOs being term leveraged structures at a fixed margin, can generate more excess payments, through re-investments, when markets are under stress than under normal circumstances. Overall, for these ten transactions held since early/mid 2007, the excess ongoing cash flows available for the owner of the residual positions have increased by more than 25% throughout the crisis as a result of the significant increase of the weighted average spread of the underlying portfolios.

A residual position on a CLO also gives access to the amount that remains in the structure once the debt tranches are paid back (at maturity if the normal process of deleveraging the structure takes place, sooner if the deal is called by the residual holders). It can be possible to measure the principal amount of the underlying loan portfolios (defaulted loans are valued at their market value) that exceeds the principal amount of the outstanding CLO debt tranches at any point in time. The average remaining principal amount of the eleven classic residual positions held by Volta was 94% at the end of July 2011, up 15% over one year, according to the latest CLO reports available at this time. It illustrates the ability of the underlying portfolio managers to re-build principal value for the residual holders.

All of the positions in this bucket (including Tennenbaum and Prelude) are negatively exposed to an increase, in default rates, and in the percentage of assets rated CCC or below and to a significant decrease in underlying loans. However, they also benefit from some of their intrinsic features, mainly the ability to re-invest diverted amounts and prepayments.

The decision of the Company to invest originally only in residual tranches of CLOs in the CDO bucket (no ABS CDOs were purchased) has proven to be beneficial to the Company. Recent market studies highlight again that, on average and due to the underlying loan market liquidity, metrics of US dollar CLOs (weighted average spread, WARF and size of the CCC bucket of the underlying portfolio) have improved more than European CLO metrics giving some credit to the choice to favour US dollar deals when considering residual positions.

As at 31 July 2011, the average price of the Company's eleven classic residual positions held over the annual period (65% of par) reflects on average a reasonable scenario of defaults with still a significant level of discount margin. It could be compared to the average latest annual payment of 22% (including the deals that are not currently paying). These deals, on average, are priced for three years of cash flows for assets that are supposed to pay excess cash flows for a remaining period of at least three to four years and to receive ultimately some par amount later.

INVESTMENT MANAGER'S REPORT CONTINUED

TABLE 2 – LIST OF CDO RESIDUAL HOLDINGS AS OF 31 JULY 2011

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
Tennenbaum Opportunities Fund V	6.4	Residual of CLO	High yield bonds loans	Tennenbaum Capital Partners LLC	USA	N/A	Wachovia Bank
Northwoods Capital VIII Limited*	3.7	Residual of CLO	Broadly syndicated loans	Angelo Gordon	USA	USG6666RAB18	JP Morgan
Batallion CLO 2007–I Ltd–Equity	2.8	Residual of CLO	Broadly syndicated loans	Brigade Capital Management	USA	USG08887AA27	Deutsche Bank
Wasatch CLO Ltd	2.5	Residual of CLO	Broadly syndicated loans	Invesco	USA	USG94608AB57	JP Morgan
Goldentree Loan Opportunities IV Ltd*	2.4	Residual of CLO	Broadly syndicated loans	Golden Tree	USA	USG39607AC37	Deutsche Bank
Lightpoint Pan-European CLO 2006 Plc*	2.0	Residual of CLO	Broadly syndicated loans	Lightpoint	Europe	XS0282169803	Credit Suisse
Sands Point Funding Ltd*	1.9	Residual of CLO	Middle market loans	Guggenheim	USA	USG7800DAA93	Deutsche Bank
Lightpoint CLO V, Ltd*	1.8	Residual of CLO	Broadly syndicated loans	Lightpoint	USA	USG5487GAG31	Credit Suisse
Galaxy VII CLO Ltd*	1.6	Residual of CLO	Broadly syndicated loans	AIG	USA	USG25796AB20	Morgan Stanley
Prelude	1.2	Fund of Residual of CLO	Broadly syndicated loans	AXA IM Paris	USA	XS0213954802	Wachovia Bank
Oak Hill European Credit Partners II Plc*	1.1	Residual of CLO	Broadly syndicated loans	Oak Hill	Europe	XS0300349700	Deutsche Bank
Carlyle HY Part IX*	1.1	Residual of CLO	Broadly syndicated loans	Carlyle Management	USA	KYG1908R1048	Lehman Brothers
Denali Capital V	0.3	Residual of CLO	Broadly syndicated loans	Denali Capital LLC	USA	US24821MAB46	JP Morgan

* Subordinated notes.

Table 2 of the Investment Manager's Report forms an integral part of the financial statements. Refer to Note 21.

3. INVESTMENT PORTFOLIO CONTINUED

MEZZANINE TRANCHES OF CLOs

As at 31 July 2011, the Company held 38 positions in mezzanine tranches of CDOs accounting for 46% of Volta's end-of-period GAV. All of them are tranches of CLOs except an original AAA tranche of a CDO of ABS, being currently the first-pay tranche of the structure (receiving every quarter a portion of its principal back). With the exception of one investment that is unrated but could be considered equivalent to a BB-rated tranche taking into account its level of subordination, the investments in tranches of CLOs have been in tranches initially rated between BB (second loss position) and AA (generally fifth loss position).

These positions were purchased between March 2008 and July 2011. Each asset, at the time of purchase, was expected to repay its principal in full at maturity and be able to sustain a certain level of stress. Depending on the ability to find opportunities in the market and on the timing of the purchases, the Company has been able to purchase assets with different levels of initial subordination and IRR. On average, the expected IRR of these assets was 15% at the time of purchase under a base case scenario.

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

As at the end of the annual period, all 38 mezzanine tranches of CLOs were paying their coupons. As expected, the last tranche that was in arrears, the Class E tranche of Alpstar II, resumed paying in May 2011 and paid a significant portion of its remaining principal.

Considering the current market and economic circumstances, some of these positions could suffer delays in their payments from time to time. However, with a reasonable economic scenario formed at the end of the semi-annual period, delayed payments are expected to be met in full for all the mezzanine tranches of CLOs. The average price of the 38 positions, at 70% of par at the end of the period, does not reflect the likely scenario that the vast majority of assets should meet their expected payments in due time.

Six of these positions (Adagio III, Alpstar II, Centurion, Apidos, Black Diamond, Tara Hill) have structural features that could generate some early payments of principal that should be beneficial to the Company, considering these positions were bought significantly below par. During the annual period, two of Volta's mezzanine debt tranches paid part of their principal.

TABLE 3 – LIST OF CDO MEZZANINE HOLDINGS AS AT 31 JULY 2011

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
Adagio III CLO – E -BB debt	3.09	Mezzanine debt of CLO	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262683971	Lehman Brothers
Batallion CLO LTD – E -BB debt	2.66	Mezzanine debt of CLO	Broadly syndicated loans	Brigade Capital Management	USA	USG08889AF79	Deutsche Bank
Cheyne Credit OPP. DO – BBB debt	2.53	Mezzanine debt of CLO	Broadly syndicated loans	Nomura	Europe non-UK	XS0243225728	Cheyne Capital Management Ltd
McDonnell Loan Opportunity Ltd	2.52	Mezzanine debt of CLO	Broadly syndicated loans	McDonnell Investment Mgt LLC	USA	USG6016MAA11	Deutsche Bank
Boyne Valley 1X – C1 -A debt	2.51	Mezzanine debt of CLO	Broadly syndicated loans	AIB Capital Markets	Europe non-UK	XS0235642971	JP Morgan
Oak Hill European Credit Partners plc	1.80	Mezzanine debt of CLO	Broadly syndicated loans	Oak Hill	Europe non-UK	XS0300349379	Deutsche Bank
PGAEA 2007 – 1A -AAA debt	1.77	Mezzanine debt of CDO	European ABS	Investec	Europe	XS0287257280	Bear Stearns
Madison Park Funding E – BB debt	1.73	Mezzanine debt of CLO	Broadly syndicated loans	Credit Suisse Alternative Capital	USA	USG5744QAA34	Merrill Lynch
ICE 1 Emerg CLO – A3 – AA debt	1.69	Mezzanine debt of CLO	Emerging debt	ICE Canyon LLC	Other	USG4746PAD09	CitiGroup
Limerock 1A – D –BB debt	1.54	Mezzanine debt of CLO	Broadly syndicated loans	Invesco	USA	US532623AH83	Credit Suisse
Oryx 1X – D – BBB debt	1.50	Mezzanine debt of CLO	Broadly syndicated loans	AXA IM	Europe non-UK	XS0230415373	UBS
Batallion CLO Ltd – D – BBB debt	1.38	Mezzanine debt of CLO	Broadly syndicated loans	Brigade Capital Management	USA	US071322AE14	Deutsche Bank
LightPoint CLO V – C – BBB debt	1.38	Mezzanine debt of CLO	Broadly syndicated loans	Lightpoint	USA	USG5487GAD00	Credit Suisse
Duane Street CLO – D1 – BBB debt	1.27	Mezzanine debt of CLO	Broadly syndicated loans	Dimaio Capital	USA	US26358BAL27	Morgan Stanley
Laurelin – D1 – BBB debt	1.25	Mezzanine debt of CLO	Broadly syndicated loans	Golden Tree Asset Management LP	Europe non-UK	XS0305010711	Barclays Capital
LFE IV – S4 – BBB – debt	1.15	Mezzanine debt of CLO	Broadly syndicated loans	BNP Paribas	Europe non-UK	XS0269248398	BNP Paribas
Centurion 10 – E – BB debt	1.15	Mezzanine debt of CLO	Broadly syndicated loans	River Source Investments LLC	USA	US15132PAA12	Morgan Stanley
Siera 2006-2X – B2L – BB debt	1.14	Mezzanine debt of CLO	Broadly syndicated loans	Apidos Capital Management	USA	XS0276546065	Bear Stearns
Tara Hill 1X – III – BBB debt	1.13	Mezzanine debt of CLO	Broadly syndicated loans	AIB Capital Markets plc	Europe non-UK	XS0122499931	Morgan Stanley
Harvest IV – C -A debt	1.06	Mezzanine debt of CLO	Broadly syndicated loans	Mizuho Corporate Bank	Europe non-UK	XS0189775249	Merrill Lynch
Adagio III CLO – C - A debt	1.00	Mezzanine debt of CLO	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262682148	Lehman Brothers
H1776 CLO – D - BBB debt	0.96	Mezzanine debt of CLO	Broadly syndicated loans	W.R. Huff Asset Management	USA	US81806PAE07	Lehman Brothers
Euro Galaxy CLO B.V. – E – BB debt	0.96	Mezzanine debt of CLO	Broadly syndicated loans	AIG Global Investments	Europe non-UK	US29871UAG31	Morgan Stanley
Green Lane CLO –C -BBB debt	0.94	Mezzanine debt of CLO	Broadly syndicated loans	Guggenheim	USA	US393106AJ84	Wachovia Bank N.A.
Apidos 2006 3 – C – BBB debt	0.92	Mezzanine debt of CLO	Broadly syndicated loans	Apidos Capital Management	USA	US03761KAG31	Morgan Stanley
Black Diamond 2006 1X – E -BB debt	0.89	Mezzanine debt of CLO	Broadly syndicated loans	Black Diamond Capital Management LLC	USA	XS0282504280	Bear Stearns
ALPSTAR CLO 2 PLC – E - BB debt	0.82	Mezzanine debt of CLO	Broadly syndicated loans	Alpstar Management	Europe non-UK	XS0291723079	Bank of America
Adagio II CLO – D1 - BBB debt	0.68	Mezzanine debt of CLO	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0237058424	Merrill Lynch International
Skellig Rock 2006 1X – C – A debt	0.60	Mezzanine debt of CDO	Broadly syndicated loans	Black Stone	Europe	XS0273474444	JP Morgan
Tara Hill 1X – IV -BB – debt	0.58	Mezzanine debt of CLO	Broadly syndicated loans	AIB Capital Markets plc	Europe non-UK	XS0122500027	Morgan Stanley
Galaxy VIII CLO Ltd – E – BB debt	0.57	Mezzanine debt of CLO	Broadly syndicated loans	AIG	USA	US36317KAA51	Morgan Stanley
Apidos CDO – E -BB debt	0.54	Mezzanine debt of CLO	Broadly syndicated loans	Apidos Capital Management	USA	US03761NAA00	Morgan Stanley
Century CDO 2007 – C - BBB debt	0.43	Mezzanine debt of CLO	Broadly syndicated loans	Lightpoint	USA	USG54885AE11	Credit Suisse
Atrium CDO – D1 -BB debt	0.39	Mezzanine debt of CLO	Broadly syndicated loans	CSAS	USA	US049629AF50	CSFB
Colts 2007 1 – D -BBB debt	0.29	Mezzanine debt of CLO	Middle market loans	Structured Asset Investors, LLC	USA	USG23108AD83	Wachovia Bank N.A
Octagon IP XI – D -BB debt	0.28	Mezzanine debt of CLO	Broadly syndicated loans	Octagon Investment Partners	USA	USG67245AF09	Citigroup / GS
Leopard CLO BV – BB debt	0.27	Mezzanine debt of CLO	Broadly syndicated loans	M&G Investment Management Ltd	Europe non-UK	XS0251752472	RBS

Table 3 of the Investment Manager's Report forms an integral part of the financial statements. Refer to Note 21.

INVESTMENT MANAGER'S REPORT CONTINUED

TABLE 4 – LIST OF ABS HOLDINGS AS AT 31 JULY 2011

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
Promise Mobility 2006–1 GmbH	3.3	Residual of ABS	German SME	IKB	Europe non-UK	NA	Deutsche Bank
Eurosail 2006–1 PLC	0.2	Residual of ABS	UK non-conforming residential mortgage loans	SPML	UK	XS0254441081	Lehman Brothers
RMAC Securities No.1 Plc (Series 2007–NS1)	0.0	Residual of ABS	UK non-conforming residential mortgage loans	GMAC–RFC	UK	XS030812470	HSBC – RBS
Alba 2007–1 Plc	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0301709621	Credit Suisse
Alba 2006–2 Plc	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0271780651	Credit Suisse
Newgate Funding Plc 2006–2	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Mortgage Plc	UK	XS0259286101	Merrill Lynch International
Alba 2006–1 Plc	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0255043050	Credit Suisse

Table 4 of the Investment Manager's Report forms an integral part of the financial statements. Refer to Note 21.

3. INVESTMENT PORTFOLIO CONTINUED

ABS

As at 31 July 2011, the Company's investments in this asset class, representing €5.1 million, could be split into two different buckets: one deal backed by German small and medium enterprise ("SME") loans (Promise Mobility), represents 94% of the fair value of the asset class; and six residual income positions backed by UK non-conforming residential loans.

The six UK non-conforming residual positions held by the Company were valued at €0.3 million as at 31 July 2011. Over the annual period Volta received the equivalent of €1.0 million from these deals due to excess payments at the mortgage level corresponding to payments of arrears. The end of period valuation of these assets reflects the conservative approach that such cash flows being the result of extra payments at the underlying level should not last.

Promise Mobility is a first loss position on a highly diversified portfolio (1,311 positions according to the latest report) of loans made to German SMEs. Since inception, this portfolio has suffered a number of loans defaulting or being in workouts in line with what was originally projected. However, as of the end of July 2011, the recovery rate on loans already defaulted has been lower than originally projected. Considering the significant increase in default that occurred in June 2011 as well as the poor record in terms of recovery, this deal as been impaired as of the end of July 2011 generating a loss of €5.5 million in the financial statements. The end of period valuation of this asset fully reflects this situation. Since its purchase in December 2006, this asset paid cash flows representing 62.4% of the amount invested.

CORPORATE CREDIT

The Company originally focused on acquiring or creating the equivalent of first loss or junior second loss investment exposures to diversified portfolios of investment grade and sub-investment grade Corporate Credits managed by AXA IM Paris. Since mid 2009, due to the significant discount margins that were used by market participants to trade more senior assets, the Company diversified its Corporate Credit portfolio through investments in tranches initially rated AAA or A tranches. During the annual period, Volta purchased one million of par of the residual position in Jazz III at significant discount.

As at 31 July 2011, the exposure to Corporate Credits was through six investments in tranches of Corporate Credit portfolios ("bespoke CSOs"), representing 15.6% of the end of period GAV.

Three of those positions (ARIA III, Jazz III euro and Jazz III US dollar residual positions), which are valued at €11 million, are first loss positions in credit portfolios.

The three others, valued at €11.7 million, are senior or mezzanine debt tranches of Corporate Credit portfolios (the initially AAA-rated US dollar tranche of Jazz III, the initially A-rated tranche of Jazz III and the initially AAA-rated tranche of Dryden XVII). ARIA III and Jazz III are Corporate Credit portfolios managed by AXA IM Paris. Dryden XVII is managed by Prudential IM.

TABLE 5 – LIST OF CORPORATE CREDIT HOLDINGS AS AT 31 JULY 2011

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
Jazz III CDO – AB – Junior AAA debt	6.0	Mezzanine debt of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	US47215CAB19	Merrill Lynch International
ARIA CDO III (Ireland) Plc	4.9	Bespoke CDO tranche	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0375442307	JP Morgan
Jazz III CDO (Ireland) PLC	2.1	Residual of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263617374	Merrill Lynch International
Dryden XVII – Junior AAA Debt	1.6	Senior tranche of CSO	Majority investment grade corporate credit	Prudential IM	USA	USG7546RAP40	UBS
Jazz III CDO (Ireland) PLC	0.6	Residual of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263615675	Merrill Lynch International
Jazz III CDO (Ireland) PLC – CA-A debt	0.5	Mezzanine debt of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0262646697	Merrill Lynch International

Table 5 of the Investment Manager's Report forms an integral part of the financial statements. Refer to Note 21.

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

TABLE 6 – ARIA III CDO: TECHNICAL SPECIFICATIONS

	At 31 July 2011	At 31 July 2010
Nominal size	**€25 million**	€25 million
WARF (S&P)*	**454**	386
Number of names	**181**	173
Attachment/detachment points	**0.00% – 1.84% (61% of nominal)**	0.00% – 1.83% (61% of nominal)
Remaining principal	**€15.3 million**	€15 million

* A WARF at 310 corresponds to an average rating of BBB, a WARF at 485 to a BBB-.

Table 6 of the Investment Manager's Report forms an integral part of the financial statements. Refer to Note 21.

TABLE 7 – JAZZ III CDO: TECHNICAL SPECIFICATIONS

	At 31 July 2011	At 31 July 2010
Euro-denominated tranche		
Nominal size	**€9.6 million**	€8.6 million
Number of names	**395**	374
US dollar-denominated tranche		
Nominal size	**USD 2.0 million**	USD 2.0 million
Number of names	**402**	386

Table 7 of the Investment Manager's Report forms an integral part of the financial statements. Refer to Note 21.

The increase in the nominal amount of the euro denominated tranche from €8.6 million to €9.6 million above was due to a purchase in the annual period.

Regarding ARIA III, during the annual period, the credit risk of the underlying portfolio modestly deteriorated, as measured by S&P through the WARF, mostly due to downgrades on European financials. The Investment Manager increased the level of diversification considering the 181 different positions that constituted the underlying portfolio as at 31 July 2011. Considering the loss of principal already incurred due to the Lehman Brothers Holding Inc. default (in 2008) and the possibility of further defaults in conjunction with the WARF of its underlying portfolio, only a portion of ARIA III's nominal is expected to be paid at maturity.

Regarding Jazz III, the Investment Manager has been able to increase the expected ongoing payments to the equity of Jazz III through trading in higher yielding names, negative basis trades and trading gains. Despite a very low market value, the Company considered Jazz III, as at 31 July 2011, to be able to deliver expected cash flows that are not materially different, in terms of IRR, to those expected at the time of its purchase notwithstanding the information in the following paragraph.

INVESTMENT MANAGER'S REPORT CONTINUED

3. INVESTMENT PORTFOLIO CONTINUED

CORPORATE CREDIT CONTINUED

Both ARIA III and JAZZ III portfolios have an exposure to one Corporate Credit name with a high probability of default: Seat Pagine Gialle SpA. As at 31 July 2011, it represents 0.85% of the Jazz III underlying portfolio and 0.20% of the ARIA III underlying portfolio. Considering a standard recovery of 30% for this position, such default will imply a loss of respectively 11% and 16% of the cash flows to be paid by ARIA III and Jazz III residual positions. The probability of such loss is factored into the end of period valuation of these positions as is the exposure to the Republic of Greece already mentioned previously in the July 2011 Investment Manager's monthly report. Should a default be triggered, the cost can be estimated to be approximately 2% of Volta's GAV as at 31 July 2011.[4]

As illustrated above, these three positions in ARIA III and Jazz III are first loss positions and their remaining principal and their coupons are sensitive to any future defaults.[4]

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

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

4. UNDERSTANDING THE GAV OF THE COMPANY

According to Volta's valuation policy, GAV is calculated using prices received by banks or brokers for all but a few assets representing 9.9% of Volta's assets. The exceptions are Promise Mobility (3.3%%of Volta's GAV) which is model-based using a discount rate of 20% on projected cash flows; Tennenbaum (6.4% of Volta's GAV), a loan fund that is valued using the value of their underlying assets; and the UK non-conforming residual positions (0.2% of Volta's GAV).

Prior to the end of 2008, banks and brokers sent the underlying assumptions along with the prices of the assets, which permitted a better understanding of the prices (expected default rate, expected severity of default and discount rate of generated cash flows). Since the end of 2008 Volta receives only prices.

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

In order to generate a range of scenarios, WARFs have been multiplied by 1, 1.5 and 2 times and discount rates of 15% and 10% have been used depending on whether the positions are first loss or more senior positions. Other assumptions included a constant prepayment rate of 15% and a recovery rate of 65% for loans as well as a recovery rate of 30% for Corporate Credit exposures.

To illustrate these scenarios, constant annual default rates have been simulated for the underlying loans portfolio of Volta's CLO positions, on average, at 3.2% (WARF), 4.8% (1.5 x WARF) and 6.4% (2 x WARF). These three figures are greater than the average default rate for these deals during the recent years (including the 2008/2009 crisis).

Hence, for all Volta's assets except Tennenbaum, Promise Mobility, UK non-conforming residuals (valued at almost zero) and cash, it has been possible to generate expected cash flows under these scenarios using appropriate tools (for example Intex for CLOs). These simulations concerned 55 assets, representing €121.2 million of assets, 83% of the GAV or €3.94 per share and gave the results opposite.

[4] The paragraphs annotated above form an integral part of the financial statements. Refer to Note 21.

TABLE 8 – VALUATION OF PART OF VOLTA'S ASSETS DEPENDING ON DEFAULT SCENARIOS AND ON DISCOUNT RATES*

	GAV value	Discount rate %	WARF	1.5 x WARF	2 x WARF
First loss tranches of Corporate Credit	11.0	15	21.4	18.2	12.8
Mezzanine debt of Corporate Credit	11.7	10	11.2	11.2	11.2
First loss tranches of CLOs	32.5	15	36.4	33.5	24.4
Mezzanine debt of CLOs	66.0	10	66.9	66.8	66.9
Total (€million)	121.2		135.8	129.6	115.3
GAV per share of assets tested	3.94		4.41	4.21	3.75

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

It should be noted when considering this table that mezzanine debts of CLOs and mezzanine debts of Corporate Credit, representing 53% of Volta's GAV, are insensitive to the default scenario proposed herein and are, however, priced with a discount rate close to 10%. Riskier assets like common equities are generally valued with a lower discount rate on expected dividend payments.

First loss tranches of Corporate Credit are priced at a discount rate slightly above 15% even considering that defaults will be two times what they should be considering ratings of underlying credit portfolios.

First loss tranches of CLOs are roughly priced at a 15% discount rate considering that defaults will be 1.5 times what they should be considering ratings of underlying loan portfolios.

According to such calculations, the GAV of Volta as at 31 July 2011 roughly reflected a default scenario between 1.5 times and 2 times the WARF of the underlying portfolios with discount yields at 15% and 10% respectively for residual and for debt positions. As a reminder, effective total payments received from the CLO residual positions held by the Company during the last four and a half years was, on average, almost appropriately anticipated with default projections done before the crisis, in line with the WARF of the underlying portfolios.

Section 4, including Table 8, forms an integral part of the financial statements. Refer to Notes 4 and 21.

INVESTMENT MANAGER'S REPORT CONTINUED

5. FOREIGN EXCHANGE HEDGE OF US DOLLAR INVESTMENTS

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

This strategy has been maintained and rolled over during the annual period. This strategy also enabled the Company to continue investing in US dollar assets with a partial hedge against the depreciation of the US dollar and allowed the Company to invest more widely.

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

The contracts used to apply this strategy are collateralised (a net cash balance received from the Company's margin account of €1.0 million was held at the end of July 2011) and are in place with two different counterparties in order to minimise the counterparty risk incurred by the Company through these contracts.

6. OUTLOOK

During the annual period, the overall investment strategy of the Company has been successfully adjusted in line with the changing market environment whilst pursuing the Company's objectives. The Company pursues the increase and the diversification of its asset base mostly through investments in mezzanine debt tranches of CLOs.

This strategy contributed significantly to the stabilisation of interest and coupon amounts received by the Company. For the annual period, the Company's Board proposed to complement the €0.22 per share dividend paid in April by a second €0.22 per share dividend payment expected to take place in January 2012. It represents €13.6 million and corresponds to almost 60% of the annual interest and coupons received by the Company during the period (€23.2 million). This means that nearly 30% of the interest and coupons are used for re-investment, after considering the payments of the Company's operating costs.

As a consequence, net reinvestments should amount to a few million euro per quarter for the foreseeable future, which should permit the Company to gradually increase its assets as has been the case for more than a year. However, the pace at which ongoing cash flows will be reinvested could be adjusted if some significant financial or economic stress occurs.

Table 11 takes into account losses of nominal amounts that could not be recouped for Corporate Credit and ABS; residual tranches of CLOs are accounted for by their remaining principal amount as described in Section 3; and USD nominal amounts being translated in euro using end-of-period cross rate.

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

	July 2009	July 2010	July 2011
First loss tranches of Corporate Credit	25.3	25.4	26.2
Mezzanine tranches of Corporate Credit	—	15.6	14.2
First loss tranches of CDOs	35.3	50.2	54.7
Mezzanine debt tranches of CDOs	31.1	77.0	95.3
ABS (including near cash ABS asset)	13.3	14.0	9.6
Cash	27.7	5.5	8.1
Total nominal (including cash)	132.7	187.7	208.1
Change from previous date due to US dollar appreciation	N/A	7.2	(8.1)

Between July 2010 and July 2011, a period during which the cash held by Volta increased by €2.6 million, the Company was able to increase the nominal amount of its assets by nearly €17.8 million through re-investments despite a negative impact from the conversion of US dollar assets into euro of €8.1 million at the end of period cross currency rate.

At the time of writing, discount margins were attractive in some areas of the structured credit markets. The Company's investment strategy for the coming period is mainly to seek investments in what could be viewed, at the time of purchase, as structures producing ongoing cash flows: for example, BBB or BB-rated tranches of CLOs, mezzanine tranches of Corporate Credit deals and mezzanine tranches of ABS would all be considered. From time to time, some investments in residual or first loss positions could be considered as well.

Considering the current market conditions and the volatility of prices of some of Volta's assets, it can be expected that the Company will disengage from some positions to re-invest in positions that, at the time of purchase, could be considered to offer a better risk/return trade off.

The investment strategy will focus on re-investing sale proceeds and ongoing cash flows in order to maintain the expected IRR of Volta's portfolio above 10%. Considering the recent widening that occurred on CLO tranches and on Corporate Credit spreads it could be expected that future investments will continue focusing on CLO tranches but also that investments in Corporate Credit deals will be considered.

At the time of writing, our general view on the current economic and financial crisis is that recent developments in the eurozone could bring some volatility and add uncertainties to an overall scenario that was expected to be characterised by modest economic growth. It is generating some new challenges, at least for sovereign budgets and for banks' balance sheets. This last point could be a source of opportunities for managers of structured products considering the willingness of banks to sell some of their positions or exposures. Such an environment should continue to be relatively favourable for Corporate Credit exposure relative to other kind of exposures (sovereign or consumer debt) as long as it does not degenerate into a profound economic crisis. The contagion we are seeing in certain areas of investment could also be a source of opportunities.

As for the valuation of Volta's assets at the end of the annual period, overall it continues to reflect a significant discount of ongoing cash flows resulting from stress default scenarios.

The Company has demonstrated its ability to adapt its investment strategy. The experience of the teams in the structured finance department of AXA IM Paris and their ability to seize investment opportunities across the different segments of the structured finance markets should provide encouraging prospects for the future.

AXA INVESTMENT MANAGERS PARIS
21 OCTOBER 2011

PORTFOLIO VALUATION

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

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

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

The Company's valuation policy is as follows:

› **Case A:** financial assets for which quoted prices are available from a third party in a liquid market are valued monthly on the basis of quoted bid prices. In this regard, for liquid assets, an external market pricing service may be the source of price quotations.

› **Case B:** in the case of investments where the fair value of the investment can be readily ascertained by reference to the market values of liquid underlying assets, the counterparty or sponsor generally provides the valuation of the investment position, using the mark-to-market valuation of the underlying assets (minus, where applicable, the investment's internal funding or other liability). In these cases, the Investment Manager agreed in the Investment Management Agreement to report semi-annually to the Company on how the valuations used by the counterparty on underlying assets from time to time compare to valuations from an external third-party pricing service.

For illiquid financial assets, the method of ongoing valuation depends upon the nature of the asset and the valuation information available with respect to each particular asset.

› **Case C (i):** where a financial asset involves an arranging bank, or another market participant, that provides valuations on a monthly basis together with its related main valuation assumptions (as may be the case, for example with bespoke CSOs), the valuations are sourced from such parties. In many cases, the valuation provider determines a valuation based upon pricing models which may or may not produce values that correspond to the prices that the Company could obtain if it sought to liquidate the positions. Such pricing models generally involve a number of valuation assumptions, many of which are based on subjective judgements. The Investment Manager is able to adjust such valuations in order to make them closer to the average prices for comparable assets if it appears that the valuations differ materially from comparable asset prices. The Investment Manager has agreed in the Investment Management Agreement to review the main assumptions semi-annually to evaluate whether they appear, in the opinion of the Investment Manager, fair and reasonable and to report its conclusions in this regard to the Portfolio Administrator and the Company. **The Investment Manager has reviewed those main assumptions as of 31 July 2011 and has concluded that the assumptions appear, in its judgement, fair and reasonable.** The work done by the Investment Manager does not, however, represent a "fairness" or similar opinion and should not be regarded as such. When and where required, the Portfolio Administrator may approach the relevant banks for clarifications or adjustments. The Company uses reasonable endeavours to engage independent third parties to review semi-annually the main valuation assumptions and to report on the fairness and reasonableness of those assumptions and of the valuations to the Portfolio Administrator and the Company. Third parties have reviewed those main assumptions and valuations as of 31 July 2011 and have concluded that they were fair and reasonable. Where a third party challenges one or more valuations on this basis, the Company will consider engaging the third party (or one or more third parties, such as, for example, an investment bank or seller of the underlying assets) to provide a valuation, or will adopt some other method of valuing the position.

- **Case C (ii):** for assets involving an arranging bank, or another market participant, for which the Company is able to collect on a monthly basis quoted prices, dealer quotations or valuations from the arranging bank or from another bank or market participant, but not the assumptions underlying any such valuations (as may be the case, for example, for cash CDOs), these quoted prices, dealer quotations or valuations are used. Where valuations are used, in many cases the valuation provider determines a valuation based upon pricing models which may or may not produce values that correspond to the prices that the Company could obtain if it sought to liquidate the positions. Such pricing models generally involve a number of valuation assumptions, many of which are based on subjective judgements. The Investment Manager is able to adjust such valuations in order to make them closer to the average prices for comparable assets if it appears that the valuations differ materially from comparable asset prices. The work done by the Investment Manager does not, however, represent a "fairness" or similar opinion and should not be regarded as such. When and where required, the Portfolio Administrator may approach the relevant parties for clarifications or adjustments. The Company uses reasonable endeavours to engage independent third parties to review the valuations semi-annually and to report on the fairness and reasonableness of those valuations to the Portfolio Administrator and the Company. **Third parties have reviewed those valuations as of 31 July 2011 and have concluded that they were fair and reasonable.** Where a third party so engaged challenges one or more valuations on this basis, the Company will consider engaging the third party (or one or more other third parties, such as, for example, an investment bank or the seller of the underlying assets) to provide a valuation, or will adopt some other method of valuing the position.
- **Case D:** where a financial asset does not involve an arranging bank or any other market participant that is willing to provide valuations on a monthly basis, or if an arranging bank, or other market participant, is unwilling to provide valuations on a monthly basis (as may, for example, be the case with some ABS residual positions), the Investment Manager has agreed in the Investment Management Agreement that it will provide a monthly valuation based on a pricing model. With regard to any such valuations provided by the Investment Manager, the Company will use reasonable endeavours to engage an independent third party to review semi-annually the main valuation assumptions employed by the Investment Manager and to report on the fairness and reasonableness of those assumptions and the valuations to the Portfolio Administrator and the Company. **When and where required, third parties have reviewed these assumptions and valuations as of 31 July 2011 and have concluded that they were fair and reasonable.** If the third party challenges the Investment Manager's valuations on this basis, the Company will consider engaging the third party (or one or more other third parties, such as, for example, an investment bank or the seller of the underlying assets) to provide a valuation, or will adopt some other method of valuing the position.

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

BOARD OF DIRECTORS

01. JAMES GILLIGAN

CHAIRMAN AND INDEPENDENT DIRECTOR

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

02. CHRISTIAN JIMENEZ

SENIOR INDEPENDENT DIRECTOR

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

03. JOAN MUSSELBROOK

INDEPENDENT DIRECTOR

Ms Musselbrook was Managing Director at MBIA UK Insurance Limited, a leading financial guarantor and provider of other specialised financial services. She was responsible for most of MBIA's Structured Finance business in Europe, including CDOs and ABS. She began her career at NatWest International Division in 1985 and remained with the NatWest Group in various positions until 2000, at which time she was a Director of the Asset Securitisation Group at Greenwich NatWest, with particular responsibility for CDOs. She joined MBIA Assurance S.A. as a Director in 2000 and was Managing Director of MBIA UK Insurance Limited from 2004 to 2006. Ms Musselbrook is a member of the institute of Directors and holds a degree from Oxford University.

04. PAUL VAROTSIS

INDEPENDENT DIRECTOR

Mr Varotsis was a partner at Reoch Credit Partners LLP until March 2011, where he worked as a consultant for financial institutions and advised investors, asset managers, intermediaries and software vendors on structured credit solutions. Mr Varotsis was Director of CDOs at Barclays Capital from 2002 to 2004. Prior to that, he was Executive Director, Structured Credit Trading, at Lehman Brothers from 2000 to 2002 and spent approximately ten years (1991 to 2000) at Chase Manhattan Bank and its predecessors; his last position at Chase was head of Credit and Capital Management (Europe Africa Middle East). He was European Chairman of the ISDA committee that participated in the drafting of the 2003 Credit Derivatives Definitions and advised the Bank of England and other regulators on the appropriate framework for the market's development. Mr Varotsis holds an MBA from the Stanford Graduate School of Business, a diplôme from the Institut d'Études Politiques de Paris and a diplôme from the Institut Supérieur de Gestion.

MANAGEMENT, ADMINISTRATION AND ADVISORS

VOLTA FINANCE LIMITED
Company registration number 45747 (Guernsey, Channel Islands)

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Channel Islands

COMPANY SECRETARY, ADMINISTRATOR AND REGISTRAR
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Channel Islands

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CUSTODIAN AND PORTFOLIO ADMINISTRATOR
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London EC2N 2DB
United Kingdom

LISTING AGENT AND PAYING AGENT
ING Bank N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 July 2011.

INCORPORATION

The Company is a closed-ended limited liability company registered in Guernsey under The Companies (Guernsey) Law, 2008 with registered number 45747.

ACTIVITIES

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

RESULTS AND DIVIDENDS

The International Financial Reporting Standards ("IFRS") net profit for the year amounted to €31.0 million.

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

The Directors recommend the payment of a final ordinary dividend for the year of €0.22 per share to those shareholders on the register at 21 December 2011. The Directors are proposing to offer the possibility to Volta shareholders to vote at the forthcoming Annual General Meeting ("AGM") on the subject of receiving this dividend and all future dividends in cash or in Volta shares.

GOING CONCERN

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

DIRECTORS

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

James Gilligan

Christian Jimenez

Joan Musselbrook

Paul Varotsis

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

	31 July 2011 Number of shares	31 July 2010 Number of shares
James Gilligan	**10,238**	—
Christian Jimenez	**73,805**	65,883
Joan Musselbrook	**74,043**	64,941
Paul Varotsis	**80,757**	66,536

ROTATION PROVISIONS

The Directors were appointed to the Board in November 2006 for an initial period of two years.

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

The terms of appointment of Mr Jimenez will therefore expire in December 2011 and as such, on the recommendation of the Board, Mr Jimenez will be standing for re-election for a three-year term at the forthcoming AGM scheduled to be held on 16 December 2011.

REPORT OF THE DIRECTORS CONTINUED

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

KPMG Channel Islands Limited served as auditors during the period and have expressed their willingness to continue in office. A resolution to re-appoint KPMG Channel Islands Limited as auditors will be put to the forthcoming AGM on 16 December 2011.

COMPANY SECRETARY

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

By order of the Board

Authorised Signatory

STATE STREET (GUERNSEY) LIMITED
COMPANY SECRETARY
21 OCTOBER 2011

CORPORATE GOVERNANCE REPORT

As a Guernsey limited liability company with shares listed on Euronext Amsterdam, the Company is not subject to The UK Corporate Governance Code (as revised June 2010) (the "Code"). Similarly the Dutch Corporate Governance Code does not apply to the Company and there is currently no formal corporate governance code applicable to Guernsey companies under Guernsey law. However as of 1 January 2012 Guernsey will be adopting their own Code of Corporate Governance which the Company will probably be required to follow. This issue is still being reviewed and in the meantime the Directors have determined that the Company should continue to voluntarily apply the UK Code, with certain exceptions as detailed below.

STATEMENT OF HOW THE PRINCIPLES OF THE CODE ARE APPLIED

Throughout the year ended 31 July 2011 the Company has been in compliance with the provisions set out in Section 1 of the Code, except as already explained or as set out below:

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

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

- Section B.1.1: The Company has established its own criteria for assessing the independence of the Board (as detailed below) because the Company believes that this is more appropriate to its circumstances.

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

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

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

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

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

  Explanation: Whereas the Company reviews and updates its risk ratings on an ongoing basis, the internal control environment of the Company is the product of control systems operated by its third-party service providers together with oversight by the Audit Committee.

- Schedule B.4: All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

  Explanation: A formal induction process has now been approved by the Board. The Directors confirm that they do update and refresh their skills, knowledge, and familiarity with the Company.

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

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

- Section C3.4: The Audit Committee should review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

  Explanation: The Company does not employ staff, other than its Directors, and therefore relies on the Company Secretary and other third party service providers to address any concerns raised.

CORPORATE GOVERNANCE REPORT CONTINUED

THE BOARD

The Board is responsible for the determination of the Company's investment objective, investment guidelines and dividend policy and has overall responsibility for overseeing the Company's activities. Mr Gilligan acts as Chairman of the Board. Mr Jimenez acts as the Senior Independent Director. Mr Gilligan, Mr Jimenez, Ms Musselbrook and Mr Varotsis are independent from the Investment Manager and satisfy the independence criteria established by the Board as follows:

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

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

The composition of the Board in this respect is in accordance with the policy adopted by the Board and published in the Company's IPO Prospectus. The individual independence status of the Directors was last reviewed and confirmed by the Board on 21 October 2011.

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

COMMITTEES OF THE BOARD

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

The Audit Committee comprises Mr Gilligan, Mr Jimenez, Ms Musselbrook and Mr Varotsis. Only Independent Directors serve on the Audit Committee and members of the Committee have no links with the Company's Auditors. The Audit Committee meets at least twice each year and meet the Auditors at least once each year. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment or removal of the Auditors and their remuneration. The Committee considers the independence and objectivity of the Auditors and reviews any non-audit services that are to be provided by the Auditors. It receives and reviews the Company's financial statements and the reports of the Investment Manager and the Auditors. The Committee focuses on ensuring that effective systems of internal financial and non-financial control are maintained and works closely with the Company's third party service providers in this regard. As the Company's accounting functions are delegated to third parties, the Company does not have an internal audit function. The internal control environment of the Company is the product of control systems operated by its third party service providers, together with oversight exercised by the Audit Committee. To satisfy itself as to the existence and efficacy of material controls affecting the Company, the Committee has sought certain comfort and explanations from key third-party service providers. Other than the Interim Review completed at a fee of €50,000 and a review of the Distribution Income calculation methodology at a fee £25,000, no other non-audit services have been provided to the Company by the Auditors during the year.

The Nomination Committee comprises Mr Gilligan, Mr Jimenez, Ms Musselbrook and Mr Varotsis. Only Independent Directors will serve on the Nomination Committee. The Committee meets twice each year and considers the size, structure and composition of the Board. The Committee considers retirements, re-appointments and appointments of additional or replacement Directors and makes recommendations to the Board in this respect with particular consideration to the rotation provisions set out in the Company's Memorandum and Articles of Incorporation and IPO Prospectus dated 4 December 2006.

COMMITTEES OF THE BOARD CONTINUED

The Nomination Committee meeting held on 21 October 2011 recommended that the Board put forward Mr Jimenez for re-election at the forthcoming AGM for a three-year term.

The Remuneration Committee comprises Mr Gilligan, Mr Jimenez, Ms Musselbrook and Mr Varotsis. Only Independent Directors serve on the Remuneration Committee. The Committee meets twice each year to review the remuneration of the Directors and any employees of the Company and make recommendations to the Board in this respect. The remuneration of the Directors was last reviewed by the Committee on 21 October 2011 and it was proposed that the Board continue with the temporary 10% reduction to the Director's remuneration and that this be notified to shareholders at the AGM to be held on 16 December 2011. This reduction will remain in place until the conclusion of the sixth AGM of the Company.

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

ATTENDANCE

There were six Board meetings held during the year from 31 July 2010 to 31 July 2011. The attendance record of each of the Directors was as follows:

	Number of attendances
J Gilligan	6
C Jimenez	6
J Musselbrook	6
P Varotsis	6

There were four Audit Committee meetings and two Remuneration and Nomination Committee meetings held during the year from 31 July 2010 to 31 July 2011. The attendance record of each of the Committee members was as follows:

	Number of attendances		
	Audit Committee	Nomination Committee	Remuneration Committee
J Gilligan	4	2	2
C Jimenez	4	2	2
J Musselbrook	4	2	2
P Varotsis	4	2	2

PERFORMANCE

The Chairman has reviewed the performance of each of the Directors and the Board as a whole, by conducting individual performance review meetings and presenting a report of his findings to the Board. This performance review was last conducted on 21 October 2011. The Chairman's report found the performance of the individual Directors and the Board as a whole over the review period to be excellent.

The Directors, other than the Chairman, led by the Senior Independent Director, have reviewed the performance of the Chairman by group appraisal and subsequent presentation of a report to the Board. This performance review was last conducted on 21 October 2011. The Senior Independent Director's report found the performance of the Chairman over the review period to be very satisfactory.

INVESTOR RELATIONS

Shareholders are able to contact the Company directly through its dedicated e-mail address or by correspondence sent to the Company Secretary or to the Investment Manager. As a consequence, the Board received appropriate updates from the Company Secretary and from the Investment Manager relative to such correspondence to keep it informed of shareholders' sentiment or analysts' views. The Company also holds periodic investor calls in which members of the Board participate and which the Board subsequently discusses at its Board Meetings. The next investor call is due to be held on 22 November 2011.

DIRECTORS' REMUNERATION REPORT

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

The Board of Directors decided on 21 October 2011 to continue the temporary 10% reduction to their remuneration. This temporary reduction will remain in place until the conclusion of the sixth AGM of the Company. As such, the Chairman will receive an annual fee of €108,000 and each of the other Directors will receive an annual fee of €54,000 which will in each case remain payable quarterly in equal instalments in arrears, plus in the case of the other Directors an additional fee of €9,000 per meeting for each of the first four meetings of the Board attended in person by such Director in any calendar year.

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

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

The total amounts for the Directors' remuneration for the period from 31 July 2010 to 31 July 2011 were as follows:

Director	Cash €	Shares €	Total €
J Gilligan	72,519	31,079	103,598
C Jimenez	60,759	26,040	86,799
J Musselbrook	66,359	28,440	94,799
P Varotsis	60,759	26,040	86,799
Total Directors' remuneration	260,396	111,599	371,995

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

The share element of the Directors' remuneration, amounting to €0.1 million, was issued as follows:

Director	Shares issued during the period	Shares issued after the period end	Total
J Gilligan	6,858	2,020	8,878
C Jimenez	5,668	1,683	7,351
J Musselbrook	6,567	1,683	8,250
P Varotsis	5,668	1,683	7,351
Total	24,761	7,069	31,830

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

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

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

JAMES GILLIGAN
CHAIRMAN
21 OCTOBER 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS and applicable law.

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

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

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VOLTA FINANCE LIMITED

We have audited the financial statements of Volta Finance Limited (the "Company") for the year ended 31 July 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Shareholders' Equity, the Statement of Cash flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2011 and of its result for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

EMPHASIS OF MATTER

We draw attention to Notes 4 and 21 which describe how the fair values of the Company's financial assets and liabilities are determined and the related uncertainty with regard to fair value estimation in current market conditions. Our opinion is not qualified in respect of this matter.

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.

DERMOT DEMPSEY
FOR AND ON BEHALF OF KPMG CHANNEL ISLANDS LIMITED
CHARTERED ACCOUNTANTS AND RECOGNIZED AUDITORS
25 OCTOBER 2011

ADDENDUM TO AUDIT

a) The maintenance and integrity of the Volta Finance Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2011

	Notes	**1 August 2010 to 31 July 2011 €**	1 August 2009 to 31 July 2010 €
OPERATING INCOME:			
Deposit interest income	6	**14,028**	9,458
Income on available-for-sale securities and investments at fair value through profit or loss	6	**28,985,648**	15,153,702
Income from interest rate swaps	6	**550,000**	—
Net expense on settlement of forward foreign exchange swaps and options	6	**(1,102,684)**	(721,223)
		28,446,992	14,441,937
OPERATING EXPENDITURE:			
Legal fees		**(25,455)**	(26,964)
Audit fees		**(215,120)**	(283,918)
Investment management fees	22	**(1,623,361)**	(933,662)
Investment Manager incentive fees	22	**(1,389,010)**	—
Custodian fees		**(23,434)**	(28,379)
Portfolio valuation and administration fees		**(48,944)**	(41,652)
Company secretarial, administration and accountancy fees	7	**(258,400)**	(259,244)
Directors' remuneration	8	**(378,871)**	(359,406)
Insurance		**(70,920)**	(123,331)
Other operating expenses		**(86,586)**	(87,819)
		(4,120,101)	(2,144,375)
OPERATING PROFIT:		**24,326,891**	12,297,562
REALISED AND UNREALISED PROFITS/(LOSSES)			
Gain/(loss) on forward foreign exchange swaps and options	6	**3,286,559**	(1,895,097)
(Loss)/gain on financial assets at fair value through profit or loss	6	**(2,280,207)**	811,171
Foreign exchange (loss)/gain on available-for-sale debt securities	6	**(5,378,727)**	2,920,730
Reversal of impairments previously recognised on available-for-sale debt securities	5, 6	**14,181,286**	24,184,776
Impairments recognised on available-for-sale debt securities	5, 6	**(5,508,753)**	—
Net foreign exchange (loss)/gain on other assets	6	**(362,836)**	437,343
Net realised gain on available-for-sale securities	6	**1,783,661**	1,329,005
Net realised gain/(loss) on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain/(loss), transferred to the Income Statement	6	**909,997**	(268,872)
		6,630,980	27,519,056
FINANCE EXPENSES:			
Liquidity facility fee		**38,125**	—
		38,125	—
PROFIT FOR THE YEAR		**30,995,996**	39,816,618
EARNINGS PER SHARE			
Basic	10	**€1.0136**	€1.3146
Diluted	10	**€1.0136**	€1.3146

		Number of shares	Number of shares
Weighted average ordinary shares outstanding			
Basic	10	**30,579,333**	30,287,281
Diluted	10	**30,579,333**	30,287,281

The notes on pages 37 to 58 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2011

	Notes	1 August 2010 to 31 July 2011 €	1 August 2009 to 31 July 2010 €
PROFIT FOR THE YEAR		**30,995,996**	39,816,618
OTHER COMPREHENSIVE INCOME			
Net unrealised gain on available-for-sale securities recognised in the year	6	**28,194,095**	6,911,691
Impairment of available-for-sale debt securities previously recognised as an unrealised loss in prior period	6	**(4,209,484)**	—
Net realised (gain)/loss on available-for-sale securities, previously recognised in equity in prior periods as net unrealised (gain)/loss, transferred to the Income Statement	6	**(909,997)**	268,872
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**23,074,614**	7,180,563
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**54,070,610**	46,997,181
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		**54,070,610**	46,997,181

The Notes on pages 37 to 58 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2011

	Notes	**31 July 2011 €**	31 July 2010 €
ASSETS			
Available-for-sale securities	11	**124,984,793**	84,259,670
Financial assets at fair value through profit or loss	12	**6,203,728**	8,134,604
Open foreign exchange swaps and options	13	**377,843**	321,284
Trade and other receivables	14	**4,779,231**	3,487,668
Cash and cash equivalents	15	**8,877,091**	3,335,471
TOTAL ASSETS		**145,222,686**	99,538,697
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	17	**—**	—
Share premium	18	**2,066,515**	523,561
Warrants	19	**1,410,000**	1,410,000
Other distributable reserves	20	**245,071,649**	256,700,276
Net unrealised fair value movements on available-for-sale securities	20	**8,457,780**	(14,616,834)
Accumulated loss	20	**(114,438,772)**	(145,434,768)
TOTAL SHAREHOLDERS' EQUITY		**142,567,172**	98,582,235
LIABILITIES			
Current liabilities			
Trade and other payables	16	**2,655,514**	956,462
TOTAL EQUITY AND LIABILITIES		**145,222,686**	99,538,697
Net asset value per ordinary share outstanding			
Basic		**€4.6297**	€3.2524
Diluted		**€4.6297**	€3.2524

These financial statements on pages 32 to 58 were approved by the Board of Directors on 21 October 2011 and were signed on its behalf by:

JAMES GILLIGAN
CHAIRMAN

CHRISTIAN JIMENEZ
SENIOR INDEPENDENT DIRECTOR

The notes on pages 37 to 58 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 JULY 2011

	Notes	Ordinary shares €	Share premium €	Warrants €	Other distributable reserves €	Accumulated loss €	Available-for-sale securities unrealised losses €	Total €
Balance at 31 July 2009		—	405,990	1,410,000	263,667,202	(185,251,386)	(21,797,397)	58,434,409
Net unrealised gain on available-for-sale securities recognised in the year	6	—	—	—	—	—	6,911,691	6,911,691
Net realised loss on available-for-sale securitites, previously recognized in equity in prior periods as a net unrealised gain, transferred to the Income Statement	6	—	—	—	—	—	268,872	268,872
Total other comprehensive income for the year		—	—	—	—	—	7,180,563	7,180,563
Net profit for the year	20	—	—	—	—	39,816,618	—	39,816,618
Total comprehensive income for the year		—	—	—	—	39,816,618	7,180,563	46,997,181
Issue of ordinary shares to Directors	18	—	117,571	—	—	—	—	117,571
Dividends paid	9	—	—	—	(6,966,926)	—	—	(6,966,926)
Balance at 31 July 2010		—	523,561	1,410,000	256,700,276	(145,434,768)	(14,616,834)	98,582,235
Net unrealised gain on available-for-sale securities recognised in the year	6	—	—	—	—	—	28,194,095	28,194,095
Impairment of available-for-sale debt securities previously recognised as an unrealised loss in prior period	6	—	—	—	—	—	(4,209,484)	(4,209,484)
Net realised gain on available-for-sale securitites, previously recognized in equity in prior periods as a net unrealised gain, transferred to the Income Statement	6	—	—	—	—	—	(909,997)	(909,997)
Total other comprehensive income for the year		—	—	—	—	—	23,074,614	23,074,614
Net profit for the year	20	—	—	—	—	30,995,996	—	30,995,996
Total comprehensive income for the year		—	—	—	—	30,995,996	23,074,614	54,070,610
Issue of ordinary shares to Directors	18	—	105,449	—	—	—	—	105,449
Scrip dividends paid	17	—	1,437,505	—	(1,437,505)	—	—	—
Dividends paid	9	—	—	—	(10,191,122)	—	—	(10,191,122)
Balance at 31 July 2011		**—**	**2,066,515**	**1,410,000**	**245,071,649**	**(114,438,772)**	**8,457,780**	**142,567,172**

The Notes on pages 37 to 58 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2011

	Notes	**1 August 2010 to 31 July 2011 €**	1 August 2009 to 31 July 2010 €
Cash flows from operating activities			
Profit for the year		**30,995,996**	39,816,618
Adjustments for:			
Income on available-for-sale securities and investments at fair value through profit or loss		**(22,619,585)**	(15,153,702)
(Gain)/loss on forward foreign exchange swaps and options		**(3,286,559)**	1,895,097
Loss/(gain) on financial assets at fair value through profit or loss		**2,280,207**	(811,171)
Coupons received		**23,160,721**	16,341,167
Foreign exchange loss/(gain) on available-for-sale securities		**5,378,727**	(2,920,730)
Reversal of impairments previously recognised on available-for-sale debt securities		**(14,181,286)**	(24,184,776)
Impairments recognised on available-for-sale debt securities		**5,508,753**	—
Net realised gain on available-for-sale securities		**(1,783,661)**	(1,329,005)
Net realised (gain)/loss on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised (gain)/loss, transferred to the Income Statement		**(909,997)**	268,872
Net foreign exchange loss/(gain) on other assets		**362,836**	(437,343)
Recognition of revised cash flow estimates on available-for-sale debt securities		**(6,366,063)**	—
(Increase)/decrease in trade and other receivables		**(1,284,945)**	69,312
Increase in trade and other payables		**1,698,973**	204,220
Directors' fees paid in the form of shares		**105,448**	105,679
Cash flows generated from operating activities		**19,059,565**	13,864,238
Cash flows from investing activities			
Net receipts/(payments) from/(to) margin accounts from derivative activities		**3,230,000**	(2,230,000)
Purchase of investments		**(34,275,977)**	(40,498,240)
Proceeds from sale or redemptions of investments		**28,088,529**	11,056,524
Net cash used in investing activities		**(2,957,448)**	(31,671,716)
Cash flows from financing activities			
Dividend paid		**(10,191,122)**	(6,966,926)
Net cash used in financing activities		**(10,191,122)**	(6,966,926)
Net increase/(decrease) in cash and cash equivalents		**5,910,995**	(24,774,404)
Cash and cash equivalents at beginning of the year		**3,335,471**	27,672,532
Effect of exchange rate fluctuations on cash and cash equivalents		**(369,375)**	437,343
Cash and cash equivalents at end of the year	15	**8,877,091**	3,335,471

CASH GENERATED FROM OPERATIONS

Cash generated from operations for the year of €19,059,565 (2010: €13,864,238) includes the following interest receipts:

	1 August 2010 to 31 July 2011 €	1 August 2009 to 31 July 2010 €
Deposit interest	**14,028**	9,458

The notes on pages 37 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2011

1. REPORTING ENTITY

The Company is a closed-ended limited liability company registered under the Companies (Guernsey) Law, 2008 with registered number 45747. The Company's IPO closed on 20 December 2006 and its shares are listed on Euronext Amsterdam. The registered office of the Company is Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 6HJ, Channel Islands.

As of 31 July 2011 the principal activity of the Company was investment in a diversified portfolio of mortgage-backed and other asset-backed securities, loans and equity instruments. The Company's investment objectives are to seek to preserve capital and to provide a stable stream of income to its shareholders through dividends that it expects to distribute on a semi-annual basis. Subject to the risk factors that were described in the Company's IPO Prospectus and the risk factors that are described in Note 21, the Company's strategy focuses on direct and indirect investment in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. The Company's basic approach to investment in the Primary Underlying Assets, as defined in the Company's IPO Prospectus, is to invest in vehicles and arrangements that essentially provide exposure to portfolios of Primary Underlying Assets. There can be no assurance that the Company will achieve its investment objectives.

The Directors have chosen not to present quarterly financial statements. Semi-annual Unaudited Condensed Financial Statements are prepared in addition to Annual Audited Financial Statements. The Directors of the Company also publish an interim management statement covering the period from the beginning of each interim period to the date of publication of such interim management statement, in accordance with the Transparency Directive.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

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

New standards and interpretations adopted during the period

In the opinion of the Directors, there are no new standards and/or interpretations required to be adopted during the year that are material to the Company. The Company has not adopted any new standards and/or interpretations that are not mandatory.

Applicable amendments to existing standards, new standards and interpretations issued but not yet effective

Amendments to IFRS 7 – "Financial Instruments: Disclosures." The amendments to IFRS 7 were issued on 7 October 2010 which will be effective for annual periods beginning on or after 1 July 2011 and comparative disclosures are not required for any period beginning before that date. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. In the opinion of the Directors, adoption of IFRS 7 would result in no material changes to the Company's accounts.

IFRS 9 (revised April 2009) – "Financial Instruments – Classification and Measurement" effective for annual periods beginning on or after 1 January 2013. This standard provides guidance on recognition, classification and measurement of financial assets and financial liabilities. The standard contains two primary measurement categories: amortised cost and fair value. The mandatory effective date is currently 1 January 2013. However, the IASB has recently issued a proposal to defer the mandatory effective date to 1 January 2015. If this proposal is adopted by the IASB, it would currently be the intention of the Directors that the Company should apply IFRS 9 for its accounting period commencing 1 August 2015, but the up-to-date position would be reviewed prior to 31 July 2013 and would be reported upon in the annual report to 31 July 2013.

IFRS 13 was issued in May 2011 and is mandatory for accounting periods commencing from 1 January 2013, but early adoption is permitted at any time prior to this date. IFRS 13 establishes guidance on fair value measurement and requires certain additional disclosures for financial instruments categorised within Level 3 of the fair value hierarchy. The Directors are currently assessing the potential impact of early adoption of IFRS 13. Similar to above, it is the intention of the Directors that the Company should apply IFRS 13 for its accounting period commencing 1 August 2013. Any required additional disclosures will be included in the Company's 31 July 2014 financial statements.

Applicable new standards and interpretations issued but not yet effective

IAS 1 (amendment) – "Presentation of Financial Statements." The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least twelve months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. In the opinion of the Directors, adoption of IAS 1 (amendment) would result in no material changes to the Company's accounts.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

2. BASIS OF PREPARATION CONTINUED

B) BASIS OF MEASUREMENT

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

- derivative financial instruments are measured at fair value, with movements in fair value being recognised in the Income Statement;
- available-for-sale financial assets are measured at fair value, with movements in fair value being taken directly to the Statement of Comprehensive Income;
- financial instruments designated at fair value through profit or loss are measured at fair value and changes therein are recognised in the Income Statement; and
- the methods used to measure fair value are further disclosed in Note 4. All other financial instruments are measured at amortised cost.

C) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in euros (rounded to the nearest whole euro), which is the Company's functional and presentation currency.

D) USE OF ESTIMATES AND JUDGEMENTS

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following:

- Note 4 (Determination of Fair Values);
- Note 21 (Financial Risk Management) and
- pages 18 and 19 (Portfolio Valuation).

3. SIGNIFICANT ACCOUNTING POLICIES

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

A) FOREIGN CURRENCIES

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

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to euro at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency differences arising on retranslation are recognised in the Income Statement.

The carrying amount and amortised cost of available-for-sale securities denominated in a foreign currency are translated to Euro at the closing exchange rate at the reporting date. Movement in the difference between carrying amount and amortised cost in the functional currency from prior year end to the current year-end are recognised in net unrealised gain on AFS. Foreign currency movements arising from the translation of AFS are recognised in foreign exchange gains/losses on AFS.

B) FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are initially recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of a given instrument. Regular way purchases and sales of financial instruments are recognised on the trade date. Gains and losses are recognised from that date.

Derecognition

Financial assets are derecognised when the contractual rights to cash flows from the assets expire or the Company transfers the financial assets and substantially all of the risks and rewards of ownership have been transferred. Financial liabilities are derecognised when the liabilities are extinguished. The Company uses the weighted average method to determine realised gains and losses on derecognition.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

B) FINANCIAL INSTRUMENTS CONTINUED

Classification and measurement

(i) Non-derivative financial instruments

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

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

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

Available-for-sale financial assets

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

Financial assets and liabilities at fair value through profit or loss

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

Other

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

(ii) Derivative financial instruments

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

(iii) Embedded derivatives

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

C) SHARE CAPITAL

Ordinary shares

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

D) IMPAIRMENT

In accordance with IAS 39, a financial asset is assessed on a semi-annual basis to determine whether there is any objective evidence that it is impaired. Such evidence that a financial asset is impaired includes observable data that comes to the attention of the Company about any of the following loss events:

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

In addition, IAS 39 permits collective impairment assessment on a portfolio basis for financial assets where the underlying assets share similar credit risk characteristics. Such collective impairment assessment considers the "risk conditions" that may give rise to impairment and the observed effects of historic changes in such risk conditions. The Company invests in many securities underlying which are portfolios of assets that share similar credit risk characteristics. Accordingly, the Company carries out a collective impairment assessment on a portfolio basis for each such financial asset at the end of each semi-annual period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

D) IMPAIRMENT CONTINUED

The Company considers a wide range of risk conditions applicable to the assets underlying such investments when considering whether or not an impairment should be recognised on any individual investment, including the following non-exhaustive list of indicators:

- changes in observed historical default rates;
- changes in observed historical recovery rates;
- changes in observed historical prepayment rates; and
- failure or deterioration in the results of over collateralisation tests or other conditions specified under the relevant investment documentation.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a material negative effect on the estimated future cash flows of that asset. Loss events and/or changes in any of the risk conditions listed above may impact upon the projected cash flows for an investment.

If any such indication exists, an impairment loss in relation to an available-for-sale financial asset is recognised in the Income Statement as the difference between its amortised cost and its current fair value. The current fair values of the available-for-sale assets that are impaired as at the reporting date were determined as disclosed in Note 4.

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

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Reversal events may include any event that reverses an amount that was included in the measurement of the original impairment and has a positive impact on the estimated future cash flows of the asset, in addition to reversals of credit events that gave rise to the impairment.

If any such indication exists, a reversal of impairment in relation to an available-for-sale financial asset is recognised in the Income Statement as the difference between its amortised cost and its current fair value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised. For available-for-sale financial assets that are debt securities, the reversal is recognised in the Income Statement. Subsequent to recognition of impairment, effective income is measured at the rate used to measure the improvement, i.e. the current market IRR underlying the fair value. For available-for-sale financial assets that are equity securities, any increase in the fair value after impairment loss has been recognised is treated as a revaluation and is recognised directly in the Statement of Comprehensive Income.

E) RECOGNITION OF REVISED CASH FLOW ESTIMATES ON AVAILABLE FOR SALE DEBT SECURITIES

Similar to impairment, available-for-sale debt securities are assessed on a semi-annual basis to determine whether there exists any objective evidence that revised cash flow estimates on available-for-sale debt securities should be recognised. When considering whether or not it would be appropriate to recognise revised cash flow estimates on any particular asset, the Company considers the same risk conditions that it considers for recognition of impairment.

The Company applies IAS 39 Application Guidance number 7 ("IAS 39: AG7") when measuring adjustments to the carrying amount resulting from changes to projected cash flows caused by changes in market interest rates. The Company applies IAS 39 Application Guidance number 8 ("IAS 39: AG8") when measuring adjustments to the carrying amount resulting from changes to projected cash flows caused by all other changes.

In accordance with IAS 39: AG8, the difference between the amortised cost and the net present value ("NPV") of revised expected future cash flows discounted at the original IRR is adjusted against amortised cost and taken immediately to the Income Statement and presented within income on available-for-sale securities and investments at fair value through profit or loss. Subsequent to recognition of revised cash flow estimates, effective income is measured at the rate used to measure the revised cash flow estimates, i.e. the original IRR.

F) PROVISIONS

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

G) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposals of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and recognition of revised cash flow estimates on available-for-sale debt securities. Interest income is recognised as it accrues in the Income Statement, using the effective interest rate method. Effective interest income is calculated by multiplying the internal rate IRR applicable to each individual asset against its amortised cost at each coupon date. Dividend income is recognised in the Income Statement on the date the Company's right to receive payments is established which is usually the ex-dividend date.

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

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

Other operating expenses are accounted for on an accruals basis.

H) EARNINGS PER SHARE

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders for the effects of all dilutive potential ordinary shares, which comprise the warrants issued to the Investment Manager. For further details please see Note 10.

I) TAXATION

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

J) DIVIDENDS PAYABLE

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

The Directors consider recommendation of a dividend on a semi-annual basis, having regard to various considerations, including the financial position of the Company.

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

K) DISTRIBUTION INCOME

The Company's definition of Distribution Income may be found on pages 59 to 61. The calculation of Distribution Income for the year and a description of the objective of such calculation can be found on page 59 and 60.

L) 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.

M) SEGMENT REPORTING

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

M) SEGMENT REPORTING CONTINUED

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

	31 July 2011 €
GAV as reported to the Board at 31 July 2011	145,261,103
Adjustments:	
– RBSI bank accounts	1,505
– RBSI security deposit	7,232
– Northwoods coupon debtor	285,789
– Tara 1X III coupon debtor	52,279
– D&O insurance prepayment	27,808
– FX on unsettled FX trade	(207,385)
– Pricing adjustments	(205,645)
GAV as per statement of financial position at 31 July 2011	**145,222,686**

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

The GAV as reported by Deutsche Bank AG does not include a Northwoods coupon debtor of €285,789 and a Tara 1X III coupon debtor of €52,279 . Both were receivable in July 2011, but were actually received only in August 2011 and the amounts were treated as accrued interest as at 31 July 2011. The fair values of these investments assume that these coupons were received before the year end.

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

The Company's assets held as of the period end and the geographical area the Company is invested into are presented in the Investment Manager's Report on pages 6 to 17. The Company does not hold any non-current assets other than financial instruments.

The Company held two investments which individually represented more than 10% of the effective interest income on available-for-sale securities and investments at fair value through profit or loss. These investments were Jazz III and Aria III, with income amounting to €2,290,986 and €2,844,862, respectively.

The Company is domiciled in Guernsey. The income recognised from investments in the UK is €758,617, in the USA is €11,266,349 and in Europe (excluding UK) is €10,594,619.

N) SHARE-BASED PAYMENT TRANSACTIONS

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

If the Distribution Income of the Company for a semi-annual period exceeds the Hurdle Amount, which is currently calculated at a rate of 8% per annum (4% per semi-annual period) on the weighted average number of shares outstanding at their weighted average issue price, dependant upon the performance of the Company during the "look-back" period of 18 months prior to the start of such period, the Investment Manager may be entitled to receive an Incentive Fee of 25% of the Distribution Income in excess of the Hurdle Amount. If an Incentive Fee is payable, 50% of any such fee is payable in the form of newly issued Class C Shares, which are recognised in equity immediately upon issue.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The Company's policy on portfolio valuation is set out on pages 18 and 19.

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

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

Where a financial asset involves an arranging bank, or another market participant, that provides valuations on a monthly basis, the valuation is sourced from such arranging bank. In many cases, the arranging bank determines the valuation based on pricing models, which may or may not produce values that correspond to the prices that the Company could obtain if it sought to liquidate such positions. Such valuations generally involve subjective judgements on key model inputs, particularly default and recovery rates, and may not be uniform. In the case of some of these assets, banks and other market participants are currently unwilling to disclose either the key model inputs or the discount rates that have been used to produce such valuations. In such circumstances, the valuation continues to be sourced from such arranging bank, or other market participant, despite the lack of valuation assumptions.

4. DETERMINATION OF FAIR VALUES CONTINUED

Where a financial asset does not involve an arranging bank, or if an arranging bank is unwilling to provide valuations, the Investment Manager will provide a monthly valuation based on a pricing model or through comparable asset prices. Such pricing models generally involve a number of valuation assumptions, many of which are based on subjective judgements. Key model inputs include: asset spreads; expected defaults; expected recovery rates; and the price of uncertainty or liquidity through the interest rate at which expected cash flows are discounted. These inputs are derived by reference to a variety of market sources. The method of valuation depends on the nature of the asset.

When and where required, third parties have reviewed these valuations as at 31 July 2011, together with the related main valuation assumptions where available, and have concluded that they were fair and reasonable.

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

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

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

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

	31 July 2011		31 July 2010	
	€m	**% NAV**	€m	% NAV
Case A (equivalent to level 1)	**—**	**—**	—	—
Case C (i) (equivalent to level 3)	**6.2**	**4.35**	8.1	8.3
Case C (ii) (equivalent to level 2 or 3)	**120.0**	**84.15**	78.7	79.8
Case D (equivalent to level 3)	**4.9**	**3.44**	5.6	5.7
	131.1	**91.94**	92.4	93.8

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

Additional disclosures on fair value estimation, including assumptions, applied in determining fair value where available, refer to section 4 of the Investment Manager's report.

5. PROVISIONS FOR IMPAIRMENT, RECOGNITION OF REVERSALS OF IMPAIRMENT, RECOGNITION OF IMPROVEMENTS AND THE EFFECT ON THE DISTRIBUTION INCOME CALCULATION

AVAILABLE-FOR-SALE DEBT SECURITIES

RECOGNITION OF IMPAIRMENT

Promise Mobility is a first loss position on a highly diversified portfolio (1,311 positions according to the latest report) of loans made to German SMEs. Since inception, this portfolio has suffered a number of loans defaulting or being in workouts in line with what was originally projected. However, as of the end of July 2011 the recovery rate on loans already defaulted has been lower than originally projected. Considering the significant increase in default that occurred in June 2011 as well as the poor record in terms of recovery, this deal as been impaired as of the end of July 2011 generating a loss of €5.5 million in the financial statements.

As at 31 July 2011, the following assets remained impaired:

	Fair value €
Carlyle HY Part IX	1,530,923
Lightpoint Pan-European CLO 2006 plc	2,595,993
Alba 2006–1 Plc (Group)	114
Alba 2006–2 Plc (Group)	111
Eurosail 2006–1 Plc	286,189
Newgate Funding Plc 2006–2 (Group)	112
Promise Mobility 2006–1	4,655,027
Alba 2007–1 Plc (Group)	114
Northwoods Capital	5,327,163
Oak Hill Europe CP 2	1,537,257
RMAC 2007 NS1 Mercs & Residuals	114
Alpstar CLO 2 PLC	1,135,387
	17,068,504

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

5. PROVISIONS FOR IMPAIRMENT, RECOGNITION OF REVERSALS OF IMPAIRMENT, RECOGNITION OF IMPROVEMENTS AND THE EFFECT ON THE DISTRIBUTION INCOME CALCULATION CONTINUED

AVAILABLE-FOR-SALE DEBT SECURITIES CONTINUED

RECOGNITION OF REVERSALS OF IMPAIRMENT

Some minor changes in the fair value of expected cash flows from the six UK non-conforming assets positively affected the result of the Company for the year ended 31 July 2011 by €0.5 million.

During the year, recovery of prices of assets rated CCC or below and the slowdown in default rates at the underlying portfolio levels, confirmed by significant increase in fair value, caused the Company to recognise the increases in value of the subordinated notes of CDOs previously impaired as a reversal of impairment, as required by IAS 39. As the subordinated notes of CDOs are classified as "available-for-sale debt securities" under IFRS, their net reversal of impairment as described above positively affected the Income Statement of the Company by €13.7 million.

The table below details the amount of reversals of impairment recognised during the year:

Reversals of impairment	€
Northwoods Capital VIII Limited	4,901,845
Lightpoint Pan-European CLO 2006 plc	2,093,539
Battalion CLO 2007–1 Ltd – Equity	1,128,859
Oak Hill European Credit Partners II plc	1,088,285
Wasatch CLO Ltd	1,036,475
Lightpoint CLO V Ltd	907,553
Alpstar CLO 2 plc – E BB debt	776,089
Galaxy VII CLO Ltd	763,832
Sands Point Funding Ltd	752,445
Eurosail 2006–1 plc	510,753
Carlyle Hy Part IX	221,059
Other net reversals	552
	14,181,286

RECOGNITION OF REVISED CASH FLOW ESTIMATES ON AVAILABLE-FOR-SALE DEBT SECURITIES

During the year, the number of defaults decreased and the availability of finance to refinance loans increased. In addition, portfolio managers improved the nature of the underlying portfolio by reducing the proportion of assets rated CCC or below. Recovery rates have also increased to slightly above 65% and are now approaching the historical average of approximately 70%. These factors resulted in the Company revising upwards the expected future cash flows on three subordinated notes of CDOs, resulting in revised projected aggregate cumulative IRRs on such assets above 120% of the original projected aggregate cumulative IRRs. The recognition of revised cash flow estimates on these available-for-sale debt securities positively affected the Income Statement of the Company by €6.4 million.

The table below details the amount of adjustment to the carrying amounts of such assets recognised during the year. These are presented within income on available-for-sale securities and investments at fair value through profit or loss:

	€
Sands Point Funding Ltd	2,214,104
Wasatch CLO Ltd	2,119,436
Goldentree Loan Opp. IV Ltd	2,032,523
	6,366,063

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Under IFRS, the change in the mark-to-market value of assets designated as "financial assets at fair value through profit or loss" affects the Income Statement, regardless of whether or not such a change is indicative of a change in the expected cash flows from these assets. Consequently no revised cash flow estimates on the Company's investment classified under "financial assets at fair value through profit or loss" were recognised in the Income Statement as any movements on revaluation of such investments are already recognised in the Income Statement.

EFFECT ON THE DISTRIBUTION INCOME CALCULATION

The Company's expectations of future cash flows for the only asset at fair value through profit or loss (ARIA III) increased during the current annual period. Consequently, a further reversal of the previous impairment was recognised on this asset for the purpose of establishing the Distribution Income.

The expected cash flows from the six UK non-conforming assets previously impaired were not significantly changed at the end of July 2011. However, the slight increase of €0.5 million in the present value of the expected cash flows from these assets has been recognised in the Distribution Income.

Revisions to the expected cash flows from ten CDOs positively affected the Distribution Income for the annual period ended 31 July 2011 in amounts equal to the discounted value of the difference between the previous and the current series of expected cash flows, being positive €8.2 million for these assets.

6. FINANCE INCOME AND EXPENSE RECOGNISED IN PROFIT OR LOSS

	31 July 2011 €	31 July 2010 €
Deposit interest income	**14,028**	9,458
Income on available-for-sale securities and investments at fair value through profit or loss	**28,985,648**	15,153,702
Income on Interest Rate Swap	**550,000**	—
Gain/(loss) on forward foreign exchange swaps and options	**3,286,559**	(1,895,097)
Reversal of impairments previously recognised on available-for-sale debt securities	**14,181,286**	24,184,776
Net realised gain on available-for-sale securities	**1,783,661**	1,329,005
Net realised gain/(loss) on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain/(loss), transferred to the Income Statement	**909,997**	(268,872)
Liquidity facility fee	**38,125**	—
Finance income	**49,749,304**	38,512,972
Impairments recognised on available-for-sale debt securities	**(5,508,753)**	—
(Loss)/gain on financial assets at fair value through profit or loss	**(2,280,207)**	811,171
Net foreign exchange (loss)/gain on other assets	**(362,836)**	437,343
Net expense on settlement of forward foreign exchange swaps and options	**(1,102,684)**	(721,223)
Foreign exchange (loss)/gain on available-for-sale securities	**(5,378,727)**	2,920,730
Finance expense	**(14,633,207)**	3,448,021
Net finance income recognised in profit or loss	**35,116,097**	41,960,993
RECOGNISED DIRECTLY IN EQUITY		
Net unrealised gain on available-for-sale securities recognised in the year	**28,194,095**	6,911,691
Impairment of available-for-sale debt securities previously recognised as an unrealised loss in prior period	**(4,209,484)**	—
Net realised (gain)/loss on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised (gain)/loss, transferred to the Income Statement	**(909,997)**	268,872
Net finance income recognised directly in equity	**23,074,614**	7,180,563

Interest income on impaired available-for-sale securities amounted to €3,177,222 (2010: €2,835,526). Dividends received recognised within Income on available-for-sale securities and investments at fair value through profit or loss amounted to €1,229,872 (2010: €781,382).

7. COMPANY SECRETARIAL, ADMINISTRATION AND ACCOUNTANCY FEES

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

8. DIRECTORS' REMUNERATION

	31 July 2011 €	31 July 2010 €
Directors' fees (cash element)	**260,396**	246,584
Directors' fees (equity element, settled during the period)	**83,249**	83,479
Directors' fees (equity element, settled after the period end)	**28,350**	22,200
Directors' expenses	**6,876**	7,143
	378,871	359,406

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

9. DIVIDENDS

The following dividends have been proposed and/or paid during the year ended 31 July 2011 and during the prior year ended 31 July 2010:

	Dividend per share €
Dividend for the semi-annual period ended 31 July 2011 (proposed)	**0.22**
Dividend for the semi-annual period ended 31 January 2011 (paid 11 April 2011)	0.22
Dividend for the semi-annual period ended 31 July 2010 (paid 12 January 2011)	0.16
Dividend for the semi-annual period ended 31 January 2010 (paid 6 April 2010)	0.13

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

10. EARNINGS PER SHARE

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

	31 July 2011 €	31 July 2010 €
Profit for the purposes of basic profit per share being net profit attributable to equity holders	**30,995,996**	39,816,618

	31 July 2011 Number	31 July 2010 Number
Weighted average number of ordinary shares for the purposes of basic profit per share	**30,579,333**	30,287,281
Dilutive effect of ordinary shares subject to:		
Warrants (exercisable at €10 per share)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted profit per share	**30,579,333**	30,287,281

The average market price, based on closing prices quoted on Euronext Amsterdam, for one ordinary share during the year ended 31 July 2011 was €3.57 (2010: €1.69).

11. AVAILABLE-FOR-SALE SECURITIES

	31 July 2011 Amortised cost €	31 July 2011 Unrealised (losses)/gains €	31 July 2011 Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	**15,094,908**	**(292,724)**	**14,802,184**
CDO assets	**91,101,420**	**4,812,913**	**95,914,333**
ABS assets	**4,941,783**	**—**	**4,941,783**
	111,138,111	**4,520,189**	**115,658,300**
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	**5,388,902**	**3,937,591**	**9,326,493**
Total available-for-sale securities	**116,527,013**	**8,457,780**	**124,984,793**

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

Amortised cost is calculated after reversal of impairment losses have been recognised.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 July 2011 €	31 July 2010 €
Fair value brought forward	**8,134,604**	6,975,253
Coupons received	**(2,579,655)**	(2,607,439)
Interest income	**2,928,986**	2,955,619
Movement in fair value	**(2,280,207)**	811,171
Fair value carried forward	**6,203,728**	8,134,604

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

13. OPEN FOREIGN EXCHANGE SWAPS AND OPTIONS

Foreign exchange swaps and options are classified as financial instruments at fair value through profit or loss and are held to hedge some of the currency exposure generated by non-euro assets held by the Company (see Note 21). The hedge has been put in place taking into account the fact that derivative positions, such as simple foreign exchange swaps, could cause the Company to require cash to fund margin calls on those positions. Considering this, the Company decided to use foreign exchange call and put options to limit the liquidity risk that could be created in the event of significant margin calls. As a consequence of this limitation, there is no certainty that hedging some of the currency exposure generated by non-euro assets could continue to be performed in the future in case of high volatility in the US dollar/euro cross rate.

In the current year Statement of Financial Position, the Company has offset the presentation of its margin account balance against open foreign exchange swaps and options. Previously, the Company offset the presentation of its margin account balance against cash and cash equivalents. The comparative figures have been restated accordingly.

14. TRADE AND OTHER RECEIVABLES

	31 July 2011 **€**	31 July 2010 €
Prepayments	**27,808**	40,287
Accrued income receivable	**4,744,191**	3,440,191
Security deposit	**7,232**	7,190
	4,779,231	3,487,668

15. CASH AND CASH EQUIVALENTS

	31 July 2011 **€**	31 July 2010 €
Deposit accounts	**8,877,091**	3,335,471

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

16. TRADE AND OTHER PAYABLES

	31 July 2011 **€**	31 July 2010 €
Investment management fees	**951,449**	565,660
Investment Manager incentive fees	**1,389,010**	—
Directors' fees (cash payable)	**66,150**	51,800
Directors' fees (shares payable)	**28,350**	22,200
Accrued expenses and other payables	**220,555**	316,802
	2,655,514	956,462

17. SHARE CAPITAL

AUTHORISED

	31 July 2011 **Number of shares**	31 July 2010 Number of shares
Ordinary shares of no par value each	**Unlimited**	Unlimited
Class B convertible ordinary share of no par value	**1**	1
Class C non-voting convertible ordinary shares of no par value each	**Unlimited**	Unlimited

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

17. SHARE CAPITAL CONTINUED

AUTHORISED CONTINUED

Issued and fully paid:

	Ordinary number of shares	B share number of shares	C shares number of shares	Warrants number of shares
Balance at 31 July 2009	**30,214,514**	**1**	**—**	**3,000,000**
Issued to Directors during the period	96,156	—	—	—
Balance at 31 July 2010	**30,310,670**	**1**	**—**	**3,000,000**
Issued to Directors during the period	35,184	—	—	—
Scrip dividend paid	448,324	—	—	—
Balance at 31 July 2011	**30,794,178**	**1**	**—**	**3,000,000**

The IPO of ordinary shares on 20 December 2006 was priced at €10 per share. Shares have subsequently been issued to the Directors on a quarterly basis in respect of 30% of their fees at the following prices per share: €9.49; €9.37; €7.80; €7.00; €6.32; €3.90; €2.80; €1.74; €0.52; €0.84; €1.23; €1.53; €1.88; €2.13; €2.67; €3.57; and €4.03. During the year a scrip dividend was paid whereby 448,324 shares were issued at €3.21 per share.

18. SHARE PREMIUM ACCOUNT

	Ordinary €	B share €	C shares €	Warrants €
Balance at 31 July 2009	**405,990**	**—**	**—**	**1,410,000**
Issued to Directors during the period	117,571	—	—	—
Balance at 31 July 2010	**523,561**	**—**	**—**	**1,410,000**
Issued to Directors during the period	105,449	—	—	—
Scrip dividend paid	1,437,505	—	—	—
Balance as 31 July 2011	**2,066,515**	**—**	**—**	**1,410,000**

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

19. WARRANTS

	2011	2010
Number of warrants issued at IPO (1:1 exercisable for C shares)	**30,000,000**	30,000,000
Value of warrants at IPO	**€1,410,000**	€1,410,000
Exercise price	**€10**	€10
Exercise period – start date	**01/12/2008**	01/12/2008
Exercise period – end date	**31/12/2016**	31/12/2016
Closing price of ordinary shares at period end	**€3.91**	€2.40
Theoretical value per warrant if exercised at period end	**—**	—
Dilutive effect of warrants	**—**	—

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

The warrants became exercisable after 30 November 2008. They will cease to be exercisable after 31 December 2016.

20. RESERVES

	Accumulated loss €	Other distributable reserves €	Unrealised losses €
As at 31 July 2009	(185,251,386)	263,667,202	(21,797,397)
Net profit for the year	39,816,618	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	6,911,691
Net realised gain on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain, transferred to the Income Statement	—	—	268,872
Dividend paid	—	(6,966,926)	—
As at 31 July 2010	(145,434,768)	256,700,276	(14,616,834)
Net profit for the year	30,995,996	—	—
Net unrealised gain on available-for-sale securities recognised in the period	—	—	28,194,095
Impairment of available-for-sale debt securities previously recognised as an unrealised loss in prior period	—	—	(4,209,484)
Net realised gain on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain, transferred to the Income Statement	—	—	(909,997)
Scrip dividend paid	—	(1,437,505)	—
Dividend paid	—	(10,191,122)	—
As at 31 July 2011	**(114,438,772)**	**245,071,649**	**8,457,780**

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

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

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

21. FINANCIAL RISK MANAGEMENT

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

MARKET RISK

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

21. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION

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

Where a financial asset involves an arranging bank, or another market participant, that provides valuations on a monthly basis, the valuation is sourced from such arranging bank. In many cases, the arranging bank determines the valuation based on pricing models, which may or may not produce values that correspond to the prices that the Company could obtain if it sought to liquidate such positions. Such valuations generally involve subjective judgements on key model inputs, particularly default and recovery rates, and may not be uniform. In the case of some of these assets, banks and other market participants are currently unwilling to disclose either the key model inputs or the discount rates that have been used to produce such valuations. In such circumstances, the valuation continues to be sourced from such arranging bank, or other market participant, despite the lack of valuation assumptions.

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

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

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

The following table analyses, within the fair value hierarchy, the Company's financial assets and liabilities (by class) measured at fair value at 31 July 2011 and 31 July 2010:

	31 July 2011			
	Level 1 €	**Level 2 €**	**Level 3 €**	**Total €**
Available-for-sale securities:				
– equity securities	—	9,326,493	—	9,326,493
– debt securities	—	—	115,658,300	115,658,300
Financial assets at fair value through profit or loss:				
– debt securities	—	—	6,203,728	6,203,728
– open foreign exchange swaps and options	—	377,843	—	377,843
	—	9,704,336	121,862,028	131,566,364

	31 July 2010			
	Level 1 €	Level 2 €	Level 3 €	Total €
Available-for-sale securities:				
– equity securities	—	10,214,853	—	10,214,853
– debt securities	—	3,000,743	71,044,074	74,044,817
Financial assets at fair value through profit or loss:				
– debt securities	—	—	8,134,604	8,134,604
– Open foreign exchange swaps and options	—	321,284	—	321,284
	—	13,536,880	79,178,678	92,715,558

21. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION CONTINUED

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

One asset is included within level 2 because its NAV is reported and calculated on a monthly basis. This is valued under the C (ii) policy.

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

The following table represents the movement in level 3 instruments for the year ended 31 July 2011 by class of financial instrument:

As at 31 July 2011	Debt securities: Available-for-sale securities €	Debt securities: Financial assets at fair value through profit or loss €	Total €
Opening balance	71,044,074	8,134,604	79,178,678
Purchases	34,275,977	—	34,275,977
Sale	(24,998,190)	—	(24,998,190)
Interest coupons received	(18,381,855)	(2,579,655)	(20,961,510)
Total gains and losses recognised in the Income Statement			
Interest income recognised	23,825,953	2,928,986	26,754,939
Reversal of impairments previously recognised	14,181,286	—	14,181,286
Impairments recognised	(5,508,753)		(5,508,753)
Net foreign exchange gain	(4,826,039)	—	(4,826,039)
Net realised gain on available for sale securities	2,723,329	—	2,723,329
Gain on financial assets at fair value through profit or loss	—	(2,280,207)	(2,280,207)
Subtotal	**92,335,782**	**6,203,728**	**98,539,510**
Total gains or losses for the year included in the Statement of Comprehensive Income of for assets held at the end of the year	23,322,518	—	23,322,518
Closing balance	**115,658,300**	**6,203,728**	**121,862,028**

SENSITIVITY ANALYSIS

In the opinion of the Directors, and as of 31 July 2011, the following analysis gives an approximation of the sensitivity of the different asset classes to market risk that seems reasonable considering the current market environment and the nature of the Company's assets main underlying risks.

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

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

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

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

Available-for-sale debt securities

Available-for-sale ("AFS") debts securities includes ABS positions, Corporate Credit assets and CDO assets.

The main determinant of the risks associated with the ABS positions held by the Company is the level of credit losses on the underlying collateral. Considering the losses observed over the past financial year, the Directors believe it is reasonable to test an increase and a decrease of 25% in the expected annual losses of the underlying portfolio relative to the expected losses used to value the assets, as of the end of July 2011. If the expected losses on the ABS assets underlying portfolio were to increase, respectively decrease, by 25%, the fair value of these assets would decrease, respectively increase, by 15.5% (2010: 4.6% and the Company's NAV would decrease, respectively increase, by approximately €0.8 million (2010: €0.4 million).

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

21. FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS CONTINUED

Available-for-sale debt securities continued

The test has been calibrated as an amount equivalent to one year of expected defaults, measured by the WARF of the underlying portfolio. The fair value of theses assets would be almost unchanged and the Company's NAV would decrease, respectively increase, by approximately €100 (2010: €100) if defaults for the first year increase, respectively decrease, by such amount. This low sensitivity is due to the seniority of these positions relative to losses that could occur in the underlying portfolio and for one asset being a first loss position from its already very low valuation.

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

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

The fair value of the residual tranches of CLOs would decrease, respectively increase, by 15% and 12% (2010: 19% and 15.5%) and the Company's NAV would decrease by approximately €6 million (2010: €5.9 million), respectively increase by approximately €4.8 million (2010: €4.7 million), if defaults for the year increase, respectively decrease, by such amount.

The fair value of the mezzanine tranches of CLOs would decrease by 1% (2010: 1.1%) respectively increase by 1.4% (2010: 1.6%), and the Company's NAV would decrease by approximately €0.5 million (2010: €0.4 million) respectively increase by approximately €0.7 million (2010: €0.6 million), if defaults for the year increase, respectively decrease, by such amount.

Available-for-sale equity securities

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

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

The fair value of this asset would decrease, respectively increase, by 1.7% (2010: 1.7%) and the Company's NAV would decrease, respectively increase, by approximately €0.2 million (2010: €0.2 million) if defaults for the first year increase, respectively decrease, by such amount.

Financial assets at fair value through profit or loss

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

The test has been calibrated as an amount equivalent to one year of expected defaults, measured by the WARF of the underlying portfolio. If the fair value of this asset decreased, respectively increased, by 12.6% (2010: 12.1%) then the Company's NAV would decrease, respectively increase, by approximately €0.9 million (2010: €1.1 million) if defaults for the first year increase, respectively decrease, by such amount.

As regards the mark-to-market spread of the underlying portfolio, the test has been calibrated to an increase and a decrease by approximately one-sixth of the spreads of the underlying portfolio. This test is only adequate for ARIA CDO III asset and the fair value would decrease by 2.8% (2010: 5.7%), respectively increase by 2.3% (2010: 4.5%), and the Company's NAV would therefore decrease by approximately €0.2 million (2010: €0.5 million), respectively increase by approximately €0.2 million (2010: €0.4 million), if spreads of the underlying portfolio assets increase, respectively decrease, by such proportion.

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

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

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

21. FINANCIAL RISK MANAGEMENT CONTINUED

INTEREST RATE RISK CONTINUED

Interest rate profile as at 31 July 2011

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
Euro deposit accounts	Floating	Eonia – 25bp	7,267,586
USD deposit accounts	Floating	Libor USD Overnight – 25bp	1,416,692
GBP deposit accounts	Floating	SONIA Overnight – 40bp	192,813
			8,877,091
Available-for-sale securities:			
AFS (denominated in EUR)	Fixed/Floating	23.93%	44,271,727
AFS (denominated in USD)	Fixed/Floating	14.01%	80,426,310
AFS (denominated in GBP)	Fixed/Floating	264.55%	286,756
			124,984,793
Financial assets at fair value through profit or loss (EUR)	Floating	Six month Euribor + 13.88%	6,203,728
Trade and other receivables	Non-interest bearing	N/A	4,779,231
Derivative contracts	Non-interest bearing	N/A	377,843
			11,360,802
			145,222,686
Financial liabilities			
Trade and other payables	Non-interest bearing	N/A	(2,655,514)
			(2,655,514)

Interest rate profile as at 31 July 2010

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
EUR deposit accounts	Floating	Eonia – 25bp	701,826
USD deposit accounts	Floating	Libor USD Overnight – 25bp	2,195,751
GBP deposit accounts	Floating	SONIA Overnight – 40bp	437,894
			3,335,471
Available-for-sale securities:			
AFS (denominated in EUR)	Fixed/Floating	16.98%	32,050,849
AFS (denominated in USD)	Fixed/Floating	19.27%	52,208,227
AFS (denominated in GBP)	Fixed/Floating	20.00%	594
			84,259,670
Financial assets at fair value through profit or loss (EUR)	Floating	Six month Euribor + 15.50%	8,134,604
Trade and other receivables	Non-interest bearing	N/A	3,487,668
Derivative contracts	Non-interest bearing	N/A	321,284
			11,943,556
			99,538,697
Financial liabilities			
Trade and other payables	Non-interest bearing	N/A	(956,462)
			(956,462)

In respect of the Company's interest bearing financial instruments, the Company's current policy is to transact in financial instruments that mature or reprice in the short term. Accordingly, the Company would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of interest rates. In the Board's opinion, interest rate risk on other investments held is not considered to be significant.

CURRENCY RISK

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

21. FINANCIAL RISK MANAGEMENT CONTINUED

CURRENCY RISK CONTINUED

The Company's policy is to hedge currency risk on an asset-by-asset basis and also, where the Investment Manager considers appropriate, on an overall portfolio basis. The Company may bear a level of currency risk that could otherwise be hedged where the Investment Manager considers that bearing such risks is advisable or is in the best interest of the Company considering the liquidity risk that is attached to any derivative contracts that could be used (e.g. margin calls on those contracts). As at the end of July 2011, the Investment Manager has put in place arrangements to hedge into euro its US dollar exposure associated with the US dollar-denominated assets. In order to reduce the risk of having to post a potentially unlimited amount of cash with respect to forward euro/US dollar foreign exchange swaps, the Investment Manager has capped and floored those amounts using short to mid-term options. Consequently, there is no guarantee that hedging the currency exposure generated by US dollar assets can continue to be performed in the future if volatility in the US dollar/euro cross rate is very high.

The exposure associated with the British pound sterling denominated residuals of asset-backed securities is unhedged as at the end of July 2011 given the limited amount that is considered.

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

Currency risk profile as at 31 July 2011

	Denominated in euro €	Denominated in USD €	Denominated in GBP €
Investments			
Available-for-sale debt securities	44,271,727	71,099,817	286,756
Financial assets at fair value through profit or loss	6,203,728	—	—
Available-for-sale equity securities	—	9,326,493	—
	50,475,455	**80,426,310**	**286,756**
Cash and cash equivalents	7,267,586	1,416,692	192,813
Trade and other receivables	3,052,847	1,719,147	7,237
Trade and other payables	(2,607,989)	(1,043)	(46,482)
Derivative contracts	377,843	—	—
	58,565,742	**83,561,106**	**440,324**

The following foreign exchange swaps and options were unsettled as at 31 July 2011:

Description of open positions	Nominal amount USD	Average strike price
Forward foreign exchange contracts (USD sold forward vs euro)	70,000,000	1.37
Long position – USD calls vs euro	60,000,000	1.28
Short position – USD puts vs euro	60,800,000	1.49

	Unrealised gain Euro
Aggregate revaluation gain	1,377,843
Margin accounts received	(1,000,000)
Unsettled revaluation gain	377,843

Currency risk profile as at 31 July 2010

	Denominated in euro €	Denominated in USD €	Denominated in GBP €
Investments			
Available-for-sale debt securities	32,050,849	41,993,374	594
Financial assets at fair value through profit or loss	8,134,604	—	—
Available-for-sale equity securities	—	10,214,853	—
	40,185,453	52,208,227	594
Cash and cash equivalents	701,826	2,195,751	437,894
Trade and other receivables	2,542,962	937,388	7,318
Trade and other payables	1,296,758	(2,206,802)	(46,418)
Derivative contracts	321,284	—	—
	45,048,283	53,134,564	399,388

21. FINANCIAL RISK MANAGEMENT CONTINUED

CURRENCY RISK CONTINUED

Currency risk profile as at 31 July 2010 continued

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

Description of open positions	Nominal amount USD	Average strike price
Forward foreign exchange contracts (USD sold forward vs euro)	51,000,000	1.43
Long position – USD calls vs euro	47,500,000	1.32
Short position – USD puts vs euro	45,000,000	1.56

	Unrealised loss Euro
Aggregate revaluation loss	(1,908,716)
Margin accounts paid	2,230,000
Unsettled revaluation gain	321,284

VALUATION RISK

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

Furthermore, where the Company acquires investments for which there is not a readily available market, the Company's ability to obtain reliable information about the resale value of such investment or risks to which such investment is exposed may be limited. Illiquidity contributes to uncertainty about the values ascribed to investments when 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 all or part of the contributors for such information were to experience significant business difficulties or were to suspend relative market activities. This could affect the timing and determination process when assessing the value of the Company's investment.

Although the Company and its agents are able to refer to reported over-the-counter trading prices and prices from brokers when valuing its investments, for most investments the Company's pricing sources frequently need to rely on financial pricing models based on assumptions concerning a number of variables, some of which involve subjective judgements and may not be uniform.

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

CREDIT RISK (INCLUDING COUNTERPARTY RISK)

Credit risk is the risk of financial loss to the Company if 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. This also relates to financial assets carried at amortised cost, as they have a short term to maturity.

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

The Company is subject to credit risk with respect to its investments. The Company and its Investment Manager seeks to mitigate credit risk by actively monitoring the Company's portfolio of investments and the underlying credit quality of its holdings. The Company's multi-asset class investment strategy is founded on diversifying credit risk by pursuing investments in assets that are expected to generate cash flows from underlying portfolios that have at the time of purchase, in aggregate, diverse characteristics such as low historical default rates and/or high expected recovery rates in the event of default and/or significant granularity.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

21. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT RISK (INCLUDING COUNTERPARTY RISK) CONTINUED

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

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

Further information regarding the credit quality of the Company's investments are as presented in tables 2, 3, 4, 5 and paragraphs as annotated within the Investment Manager's report on pages 6 to 17.

RISK RELATING TO DERIVATIVES

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

CONCENTRATION RISK

The Company may be exposed at any given time to any one Corporate Credit, counterparty, industry, region, country or any given services or asset manager (in addition to the Investment Manager) and may therefore be exposed to a degree of concentration risk. The Company monitors the concentration of its portfolio and from time to time, as long as market liquidity permits it to do so, might rebalance its investment portfolio accordingly, although there can be no assurance that it will succeed.

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

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

Further information regarding the concentration risk of the Company's investments are presented in tables 2, 3, 4 and 5 within the Investment Manager's report on pages 6 to 17.

Reinvestment risk

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

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Most of the assets in which the Company invests are illiquid. Changes in market sentiment may make significant portions of the Company's investment portfolio rapidly more illiquid, particularly with regard to types of assets for which there is not a broad well-established trading market or for which such a market is linked to a fewer number of market participants. Portfolio issuers and borrowers may experience changes in circumstance that adversely affect their liquidity, leading to interruptions in cash flows. The Company can seek to manage liquidity needs by borrowing, but turns in market sentiment may make credit expensive or unavailable. Liquidity may also be addressed by selling assets in the Company's portfolio, but selling assets may in some circumstances be significantly disadvantageous for the Company or even almost impossible if liquidity were to disappear for the Company's assets.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

21. FINANCIAL RISK MANAGEMENT CONTINUED

MATURITY PROFILE

The following tables show the legal maturity of the securities.

Maturity profile as at 31 July 2011

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	**8,877,091**	**—**	**—**
Available-for-sale securities	**5,141,722**	**14,802,184**	**105,040,887**
Financial assets at fair value through profit and loss	**—**	**6,203,728**	**—**
Derivative contracts	**(458,310)**	**836,153**	**—**
Trade and other receivables	**4,779,231**	**—**	**—**
	18,339,734	**21,842,065**	**105,040,887**
Financial liabilities			
Trade and other payables	**(2,655,514)**	**—**	**—**
	(2,655,514)	**—**	**—**

Maturity profile as at 31 July 2010

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	3,335,471	—	—
Available-for-sale securities	1,993,666	16,295,141	65,970,863
Financial assets at fair value through profit and loss	—	8,134,604	—
Derivative contracts	908,860	(587,576)	—
Trade and other receivables	3,487,668	—	—
	9,725,665	23,842,169	65,970,863
Financial liabilities			
Trade and other payables	(956,462)	—	—
	(956,462)	—	—

RISKS RELATING TO LEVERAGED EXPOSURE

The Company's investment strategy involves a high degree of exposure to the risks of leverage. Investors in the shares must accept and be able to bear the risk of investment in a highly leveraged investment portfolio.

CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the Ordinary Shares, Share Premium Account, Other Distributable Reserves and Accumulated Loss Reserve. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives, both of which are detailed in the Investment Manager's Report (page 7) and Corporate Summary Report. The Board of Directors also monitors the level of dividends to Ordinary Shareholders.

The Company's current general objective is to pay, to the extent possible and reasonable, a dividend of approximately 10% per annum of the Company's net assets excluding cash at the end of the relevant period.

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

22. RELATED PARTY DISCLOSURE

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER

For disclosure of Directors' remuneration, please see Note 8. As at the period end, Directors' fees to be paid in cash of €66,150 (2010: €51,800) had been accrued but not paid. Directors' fees to be paid in shares of €28,350 (2010: €22,200) had been accrued but not paid and Directors' expenses of €Nil (2010: €Nil) had been accrued but not paid.

As at 31 July 2011, the Directors of the Company controlled 0.76% (2010: 1.02%) of the voting shares of the Company. A number of the Directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. During the year, one of the Directors purchased 6,299 shares.

Under the Investment Management Agreement, the Investment Manager is entitled to receive a management fee from the Company at a rate of 1.5% per annum of the portion of the Company's NAV that is less than €200,000,000, and 1.75% per annum on the portion of the net asset value that is greater or equal to €200,000,000, calculated for each six-month period ending on 31 July and 31 January each year on the basis of the Company's net asset value at the end of the preceding period and payable semi-annually in arrears.

During the year the management fees earned were €1,623,361 (2010: €933,662). Fees accrued outstanding as at 31 July 2011 were €951,449 (31 July 2010: €565,660).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

22. RELATED PARTY DISCLOSURE CONTINUED

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER CONTINUED

Under the terms of the Investment Management Agreement, the Investment Manager is also entitled to receive an incentive fee, which is payable in arrears in respect of each interim period ending 31 July and 31 January. An incentive fee is payable if the Company's performance during a semi-annual period as measured by the Distribution Income, exceeds the Hurdle Amount as defined in the Company's IPO Prospectus, subject to a "look-back" period commencing 18 months prior to the beginning of such semi-annual period. In such a case, the incentive fee is calculated at the rate of 25% of the performance of the Company in excess of the Hurdle Amount. During the period incentive fees were accrued in the amount of €1,389,010 (2010: €Nil). The total fees accrued were outstanding as at 31 July 2011.

As stated in the Investment Manager's Report, the Investment Manager also acts as Investment Manager for ten of the Company's investments (ARIA III, Jazz III CDO (Ireland) PLC Subordinated Notes, Adagio III CLO PLC Class E Notes, Adagio III CLO PLC Class C Notes, Jazz III CDO (Ireland) PLC Class A-1 Notes, Jazz III CDO (Ireland) PLC Class C Notes, Oryx European CLO B.V., Adagio II CLO PLC Class D Notes, Prelude Credit Alpha PLC), earning Investment Management fees for so doing directly from these investment vehicles as well as from the Company.

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

All other investments in products managed by the Investment Manager were made by way of a secondary market purchase on a bona fide arm's length basis from a party unaffiliated with the Investment Manager. Therefore, the Company pays Investment Management fees with respect to these investments calculated in the same way as if the Investment Manager of these deals was an independent third party.

As at 31 July 2011, AXA Group Investors and AXA Assurances Vie Mutuelle held together 28.50% of the voting shares in Company. Funds managed by AXA IM for third-party investors own 5.85% of the voting shares in the Company. AXA IM does not hold any voting shares in the Company for its own account as at 31 July 2011.

23. COMMITMENTS

As at 31 July 2011 the Company had no outstanding commitments linked to previous investments.

24. SUBSEQUENT EVENTS

Since the end of the annual period ended 31 July 2011, no significant credit event directly affected credit markets that are of importance for the Company. However as uncertainties relative to overall growth for developed economies and the ability of Europe to deal with the sovereign debt crisis continued increasing, the prices of assets held by the Company have decreased in line with the general widening in credit spreads.

The end of September 2011 GAV of the Company has decreased to €134.7 million from €145.3 million at the end of July 2011.

In August and September the Company took advantage of such downward pressure on structured finance asset prices to purchase eight assets for a total of the equivalent of €12.8 million (partially financed by the sale of one asset for the equivalent of €1.4m).

At the time of writing, rating agencies had recently downgraded several major banks all over the developed economies as well as several European countries (some of them being under scrutiny for further downgrade). This situation reflects an increasing level of stress for financial assets and particularly for European assets. Even if it is difficult to fully understand the potential consequences of such a situation, it must be mentioned that the worsening situation of banks, as reflected by rating downgrade, could lead, if it continues, to further downward pressures on prices of assets like those held by Volta and that a worsening of the European sovereign debt crisis could lead to a bifurcation in terms of pricing and performances between US dollar assets and euro assets. This situation was partially anticipated by the Company, by increasing the weighting of US dollar assets relative to euro assets during the annual period.

CORPORATE CREDIT

No credit events have occurred within the Company's portfolio subsequent to the period end and the financial situation of the positions held by the Company in this category is unchanged to the one described in the Investment Manager's Report or already disclosed through the most recent monthly reports (weight and consequences of a potential default of Seat Pagine Vialle and/or of Republic of Greece). It should be noted that the assets in this bucket have significant exposures to banks through CDS (generally to subordinated debt in Europe and to senior debt in US dollar).

ABS

No material events have occurred subsequent to the period end and the financial situation of the positions held by the Company in this category is unchanged relative to that described in the Investment Manager's Report. In September some of the UK non-conforming deals paid amounts in excess of what was expected, totalling the equivalent of €0.9m.

CDO

Some credit events, particularly in US loan market, have continued to negatively impact most of the Company's CDO positions, but both the pace and the magnitude of such credit events have, so far, not been materially different from what was expected at the end of the year. Consequently, the financial situation of the residuals positions and of the mezzanine tranches held by the Company has not materially changed relative to that described in the Investment Management Report.

DISTRIBUTION INCOME CALCULATION (UNAUDITED)

FOR THE YEAR ENDED 31 JULY 2011

Distribution Income ("DI") is a non-IFRS financial measure that was devised at the Company's inception to express the Company's intentions with respect to the distribution of dividends. Other companies may define DI or similar terms differently. It should be noted that the Company no longer uses DI to determine its dividend policy.

The calculation of DI for the year is set out below. An explanation of the Company's definition of DI, together with certain related information, is stated below.

CALCULATION

	1 August 2010 to 31 January 2011	1 February 2011 to 31 July 2011	**1 August 2010 to 31 July 2011**
Net IFRS profit per the Income Statement	18,640,398	12,355,598	**30,995,996**
Less: effective income per IFRS financial statements	(10,172,175)	(18,813,473)	**(28,985,648)**
Add: effective income per DI, incorporating adjustments for impaired and improved assets	11,527,193	15,720,422	**27,247,615**
Less: unrealised gain on revaluation of derivatives	(1,949,893)	(1,336,666)	**(3,286,559)**
Add: unrealised loss on foreign exchange retranslation of investments	2,444,876	2,933,851	**5,378,727**
(Less)/add: unrealised (gain)/loss on revaluation of investments held at FVTPL	(192,841)	2,473,048	**2,280,207**
Less: reversals of impairments per IFRS financial statements	(10,515,886)	(3,665,400)	**(14,181,286)**
Add: reversals of impairments per DI	3,947,371	4,735,781	**8,683,152**
Add: impairments per IFRS financial statements	—	5,508,753	**5,508,753**
Less: impairments per DI	—	(5,064,626)	**(5,064,626)**
Less: realised gains on disposals and/or redemptions per IFRS financial statements	(193,599)	(1,590,062)	**(1,783,661)**
Add: realised gains on disposals and/or redemptions per DI	193,599	1,522,992	**1,716,591**
Add: incentive fees provision for the period	439,857	949,153	**1,389,010**
Distribution Income	14,168,900	15,729,371	**29,898,271**

	1 August 2009 to 31 January 2010 €	1 February 2010 to 31 July 2010 €	1 August 2009 to 31 July 2010 €
Net IFRS profit per the Income Statement	20,810,500	19,006,118	39,816,618
Less: effective income per IFRS financial statements	(6,999,684)	(8,154,018)	(15,153,702)
Add: effective income per DI, incorporating adjustments for impaired and improved assets	4,974,091	7,165,495	12,139,586
Add: unrealised loss on revaluation of derivatives	992,565	902,532	1,895,097
(Less): unrealised gain on foreign exchange retranslation of investments	(842,112)	(2,078,618)	(2,920,730)
(Less)/add: unrealised (gain)/loss on revaluation of investments held at FVTPL	(1,412,120)	600,949	(811,171)
Less: reversals of impairments per IFRS financial statements	(13,064,377)	(11,120,399)	(24,184,776)
Add: reversals of impairments per DI	12,203,528	25,965,891	38,169,419
Add: impairments per IFRS financial statements	—	—	—
Less: impairments per DI	—	—	—
Less: realised gains on disposals and/or redemptions per IFRS financial statements	(336,846)	(992,159)	(1,329,005)
Add: realised gains on disposals and/or redemptions per DI	336,846	992,159	1,329,005
Add: incentive fees provision for the period	—	—	—
Distribution Income	16,662,391	32,287,950	48,950,341

OBJECTIVE OF DI CALCULATION

As referred to above, the Company's IPO Prospectus dated 4 December 2006 described DI as "a non-GAAP financial measure that has been devised to express the Company's intentions with respect to the distribution of dividends". However, since the date of the Prospectus, the Company's circumstances have changed such that DI is currently no longer relevant with respect to this principal purpose, as described in the annual report for 2010. However, DI remains relevant for the purpose of calculation of the Investment Manager's Incentive Fee, if any, as described in Note 22 Related Party Disclosure.

When the Company's Prospectus was published the market environment was significantly different from both the current market environment and the market environment experienced during the period since the occurrence of the credit crisis in 2008. Consequently, although it was intended to give comprehensive guidance as to how DI should be calculated in all foreseeable circumstances, the definition of DI in the Prospectus has proven to be inadequate to provide definitive and practicable guidance as to how DI should be calculated in all circumstances that have subsequently arisen.

Accordingly, the Board determined that it would be in the interests of all parties if the DI calculation process could be both better defined and simplified, whilst still observing the Board's interpretation of the original intention, or "spirit", of the DI calculation as defined in the Prospectus. The Board has applied the following principles and interpretations in the DI calculation for the year ended 31 July 2011 and intends to continue to do so consistently in all future periods.

DISTRIBUTION INCOME CALCULATION (UNAUDITED) CONTINUED

FOR THE YEAR ENDED 31 JULY 2011

OBJECTIVE OF DI CALCULATION CONTINUED

In the opinion of the Board, the principal objective of the DI calculation is to measure the Investment Manager's performance on a basis that smoothes the returns from its investments insofar as is possible, mainly by eliminating the volatility that might arise in the Company's IFRS financial statements from measuring its investments at fair value rather than at amortised cost. Accordingly, where it is both practicable and prudent to do so and where it does not result in unnecessary complexity that might result in unnecessary expense to the Company, the Board has resolved to calculate DI for any relevant calculation period on the basis described below.

DI DEFINITION AND DI CALCULATION METHODOLOGY

For the majority of items recognised in DI, the methodology adopted is approximately equivalent to calculation on an amortised cost basis in accordance with the rules and guidance set out under IFRS. However, the Board will depart from such IFRS rules and guidance in order to try to achieve the principal objective of the DI calculation, where the Board considers it either prudent, or more practical, to do so.

The Board has determined that DI should normally include all net realised gains and losses, but should normally exclude all net unrealised gains and losses, other than impairment losses (which for this purpose may be regarded as being equivalent to realised losses) and revised cash flow estimates recognised on available-for-sale debt securities (which for this purpose may be regarded as being equivalent to realised gains or losses, as applicable).

Where realised gains and/or losses result from sales of investments, all significant sales will be subsequently reviewed by the Board and explanations shall be obtained from the Investment Manager for any sales that resulted in a significant gain, in order to try to ensure that no conflict of interest arose for the Investment Manager when considering any such sales. All net settled income/expense on derivative transactions will ordinarily be treated as realised gains/losses on such transactions, whilst any revaluation gains/losses on derivative transactions will ordinarily be treated as unrealised gains/losses on such transactions. However, any significant amounts paid/received during the period on derivative transactions might be considered by the Board to represent unrealised gains/losses and may be partially or totally excluded from DI at the Board's discretion.

Items ordinarily included in DI, unadjusted from the figures reported in the Company's Income Statement prepared in accordance with IFRS, include the following:

(a) deposit interest income;

(b) income on available-for-sale securities and investments at fair value through profit or loss that are neither impaired nor adjusted as a result of revised cash flow estimates;

(c) net income/expense from interest rate swaps;

(d) net income/expense on settlement of forward foreign exchange swaps and options;

(e) operating expenditure (excluding Investment Manager Incentive Fees, if any, for the period);

(f) net foreign exchange gains/losses on other assets; and

(g) net realised gains/losses on sales and redemptions of investments that are neither impaired nor adjusted as a result of revised cash flow estimates (which will include the amount of any such gains or losses that were previously recognised in prior periods as unrealised gains or losses).

Items ordinarily included in DI, as adjusted from the figures reported in the Company's Income Statement prepared in accordance with IFRS in accordance with the methods described below, are as follows:

(h) income on available-for-sale securities and investments at fair value through profit or loss that are either impaired or adjusted as a result of revised cash flow estimates;

(i) impairments and/or reversals of impairments on available-for-sale securities and investments at fair value through profit or loss;

(j) revised cash flow estimates recognised on available-for-sale securities and investments at fair value through profit or loss; and

(k) net realised gains/losses on sales and redemptions of investments that are either impaired or adjusted as a result of revised cash flow estimates (which will include the amount of any such gains or losses that were previously recognised in prior periods as unrealised gains or losses).

Items ordinarily excluded from DI, unadjusted from the figures reported in the Company's Income Statement prepared in accordance with IFRS, are as follows:

(l) net unrealised gains/losses on revaluation of all derivatives;

(m) net gains/losses on revaluation of financial assets at fair value through profit or loss;

(n) net foreign exchange gains/losses on retranslation of available-for-sale securities; and

(o) investment Manager Incentive Fees, if any, for the period.

NOTES:

(b) and (h): Income on available-for-sale securities and investments at fair value through profit or loss that are neither impaired nor adjusted as a result of revised cash flow estimates is calculated in the same way in both the IFRS financial statements and the DI calculation. However, subsequent to impairment/adjustment as a result of revised cash flow estimates, effective income is measured at the rate used to measure the impairment/adjustment. As described below, the IRRs used to measure such impairments/adjustments differ between IFRS and the DI calculation. Consequently, the IRRs used to measure effective income subsequent to impairment/adjustment differ between IFRS and the DI calculation as described below.

(c): Net income from interest rate swaps will normally include all amounts received and paid under interest rate swap agreements, whether in accordance with the terms of such swap agreements, or upon termination or assignment thereof.

(d): Net income/expense on settlement of forward foreign exchange swaps and options will normally include: all option premiums paid/received; all settlement amounts received/paid on exercise of such options; and all settlement amounts received/paid on maturity of forward currency contracts.

(f): Net foreign exchange gains/losses on other assets normally consists primarily of foreign exchange gains/losses on retranslation of cash balances. Consequently, the Board considers such gains/losses to be similar in nature to realised gains/losses and that they should be included in DI. Where net foreign exchange gains/losses on other assets includes significant amounts relating to retranslation of other assets and/or liabilities, the Board will normally include in DI all such gains/losses that relate to short-term assets and/or liabilities, on the basis that such gains/losses are also similar in nature to realised gains/losses. However, the Board may exclude any such gains/losses that relate to long-term assets and/or liabilities at its discretion.

(g) and (k): Net realised gains/losses on sales and redemptions of investments will include all net gains/losses resulting either from sales, redemptions at maturity or early redemptions of investments and will be computed by taking the difference between the proceeds received and the amortised cost ("AC") at the date of sale/redemption. For assets that are neither impaired nor adjusted there will be no need to adjust the figure reported in the IFRS P&L account. For assets that are either impaired or adjusted, the figure reported in the IFRS P&L account will be adjusted such that the gain or loss will be computed by taking the difference between the proceeds received and the AC per the DI calculation at the date of sale/redemption.

(i): Impairments and/or reversals of impairments on available-for-sale securities and investments at fair value through profit or loss are measured as the difference between the AC per the DI calculation and the NPV of expected future cash flows discounted at the original IRR. Subsequent to impairment, effective income is measured at the rate used to measure the impairment, i.e. the original IRR.

(j): Adjustments resulting from revised cash flow estimates on available-for-sale securities and investments at fair value through profit or loss are measured as the difference between the AC per the DI calculation and the NPV of expected future cash flows discounted at the revised projected cumulative IRR. Subsequent to adjustment, effective income is measured at the rate used to measure the adjustment, i.e. the revised projected cumulative IRR.

This measurement basis represents a significant departure from the amortised cost basis under IFRS. In the Board's opinion, measurement of adjustments resulting from revised cash flow estimates on an amortised cost basis under IFRS would result in short term volatility in the DI calculation and would therefore not achieve the objective of smoothing the returns expected from the Company's investments. Consequently, the Board considers that it is prudent to depart from the amortised cost basis under IFRS when measuring adjustments resulting from revised cash flow estimates.

REPORTING

In addition to the disclosures required by IFRS, the Company will disclose in its interim and annual financial statements a calculation of DI.

IMPAIRMENT AND/OR RECOGNITION OF REVISED CASH FLOW ESTIMATES ON AVAILABLE-FOR-SALE DEBT SECURITIES

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

The Company will use reasonable endeavours to obtain on a semi-annual basis a confirmation from an independent third party that the Projected Cash Flow Assumptions for each asset are reasonable. The Investment Manager has agreed in the Investment Management Agreement that, where the independent third party has a view that differs from that of the Investment Manager, the Investment Manager will consult with that party to determine the source of the disagreement and will then determine whether such differences can be resolved and report its findings to the Company. When and where required, the Company has received confirmation from an independent third party that, as of 31 July 2011, the Projected Cash Flow Assumptions for each asset are reasonable. Where the Company is not able to attain such third-party confirmation, it will disclose that fact in its next interim or annual report.

SEMI-ANNUAL INCOME STATEMENT ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED 31 JULY 2011

	1 February 2011 to 31 July 2011 €	1 August 2010 to 31 January 2011 €	**1 August 2010 to 31 July 2011 €**
OPERATING INCOME			
Deposit interest income	8,905	5,123	**14,028**
Income on available-for-sale securities and investments at fair value through profit or loss	12,447,410	10,172,175	**22,619,585**
Income from Interest Rate Swap	550,000	—	**550,000**
Net expense on settlement of forward foreign exchange swaps and options	(263,052)	(839,632)	**(1,102,684)**
	12,743,263	9,337,666	**22,080,929**
OPERATING EXPENDITURE			
Legal fees	(13,610)	(11,845)	**(25,455)**
Audit fees	(117,614)	(97,506)	**(215,120)**
Investment management fees	(951,448)	(671,913)	**(1,623,361)**
Investment Manager incentive fees	(949,153)	(439,857)	**(1,389,010)**
Custodian fees	(14,034)	(9,400)	**(23,434)**
Portfolio valuation and administration fees	(23,509)	(25,435)	**(48,944)**
Company secretarial, administration and accountancy fees	(127,924)	(130,476)	**(258,400)**
Directors' remuneration	(219,082)	(159,789)	**(378,871)**
Insurance	(28,602)	(42,318)	**(70,920)**
Other operating expenses	(19,100)	(67,486)	**(86,586)**
	(2,464,076)	(1,656,025)	**(4,120,101)**
OPERATING PROFIT	10,279,187	7,681,641	**17,960,828**
REALISED AND UNREALISED PROFITS/(LOSSES)			
Gain on forward foreign exchange swaps and options	1,336,666	1,949,893	**3,286,559**
(Loss)/gain on financial assets at fair value through profit or loss	(2,473,048)	192,841	**(2,280,207)**
Foreign exchange loss on available-for-sale debt securities	(2,933,851)	(2,444,876)	**(5,378,727)**
Reversal of impairments previously recognised on available-for-sale debt securities	3,665,400	10,515,886	**14,181,286**
Impairments previously recognised on available-for-sale securities	(5,508,753)	—	**(5,508,753)**
Recognition of revised cash flow estimates on available-for-sale debt securities	6,366,063	—	**6,366,063**
Net foreign exchange (loss)/gain on other assets	(405,161)	42,325	**(362,836)**
Net realised gain on available-for-sale securities	1,590,062	193,599	**1,783,661**
Net realised gain on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain, transferred to the Income Statement	439,033	470,964	**909,997**
	2,076,411	10,920,632	**12,997,043**
FINANCE EXPENSES			
Liquidity facility fee	—	38,125	**38,125**
PROFIT FOR THE PERIOD	12,355,598	18,640,398	**30,995,996**

NOTICE OF MEETING

VOLTA FINANCE LIMITED

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

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING OF THE COMPANY

In accordance with the Company's Articles of Incorporation, notice is hereby given that the fifth Annual General Meeting of the Company will be held at the Company's registered office, First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 6HJ, Channel Islands, at 10.00am (London time) on 16 December 2011.

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

› the Directors of the Company will continue with a temporary 10% reduction to their remuneration until the conclusion of the sixth AGM of the Company.

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

› In accordance with the Code, the Chairman wishes to inform shareholders that a formal performance evaluation process was undertaken in relation to Christian Jimenez's re-election. The Board found Mr Jimenez to be a valuable member of the Board and wishes to propose his re-election for approval by the shareholders.

AGENDA

ORDINARY BUSINESS

1. To adopt the audited financial statements of the Company for the year ended 31 July 2011, including the reports of the Directors and the Auditors (the "Accounts").
2. To reappoint KPMG Channel Islands Limited of 20 New Street, St Peter Port, Guernsey as the Company's Auditors to hold office until the conclusion of the next AGM.
3. To authorise the Board to negotiate and fix the remuneration of the Auditors in respect of the year ending 31 July 2012.
4. To re-elect Christian Jimenez as an Independent Director of the Company for a term of three years.
5. To approve a final dividend for the period ended 31 July 2011 in respect of the Company's ordinary shares of €0.22 per share, with an ex dividend date of 20 December 2011, a record date of 22 December 2011 and a payment date of 16 January 2012.
6. To approve a proposal by the Board that Volta shareholders may, in accordance with Article 29.(18)* of the Company's Memorandum and Articles of Incorporation, elect to receive the final dividend for the period ended 31 July 2011 and any future dividends either in cash or Volta shares**.

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

** The conversion price will be computed as the Volume Weighted Average Price ("VWAP") of the Company's shares during the four weeks preceding the AGM minus the €0.22 dividend. For the semi-annual dividend, the conversion price will be computed as the VWAP of the Company's shares during the four weeks preceding the Board meeting at which such dividend is decided minus the dividend per share.

NOTES

1. The Company's 2011 annual report and accounts will be published on 31 October 2011.
2. Copies of the Company's Memorandum and Articles of Association and its 2011 annual report and accounts are available for inspection at the Company's registered office during normal business hours and are available on request free of charge from the Company Secretary, State Street (Guernsey) Limited, First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 6HJ, Channel Islands (e-mail: volta.finance@ais.statestreet.com) and from the Listing Agent, ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands or from the Company's website (www.voltafinance.com).
3. Investors holding ordinary shares via an admitted institution of Euroclear Nederland who wish to attend or to exercise the voting rights attached to the shares at the AGM should contact their admitted institution as soon as possible. Only those investors holding ordinary shares via an admitted institution of Euroclear Nederland as at 10.00am (London time) on 14 December 2011 shall be entitled to attend and/or exercise their voting rights attached to such shares at the AGM.
4. Should the Class B shareholders being entitled to vote wish to attend or exercise the voting rights attached to the shares at the AGM they should contact the Company Secretary as soon as possible.
5. All shareholders maintain the right to elect a proxy to vote on their behalf at the AGM.
6. The quorum requirements for the conduct of Ordinary Business are set out under Article 16(2) of the Company's Articles of Association, and the quorum requirements for the conduct of Special Business are set out under Articles 16(3)–(7). The consideration of Special Business requires a larger quorum than for Ordinary Business. In the event that there exists at the commencement of the AGM a quorum for Ordinary Business but no quorum for Special Business this situation shall not impede the AGM from proceeding to consider the Ordinary Business on its own and passing such resolutions arising there from. The progression of Special Business thereafter shall be dealt with on its own and in accordance with Articles 16(3)–(7).

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

For and on behalf of

STATE STREET (GUERNSEY) LIMITED
COMPANY SECRETARY
21 OCTOBER 2011

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