VOLTA FINANCE LIMITED

ANNUAL REPORT AND ACCOUNTS 2013

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 2013

- NET ASSET VALUE ("NAV") OF €246.3 MILLION (€6.92 PER SHARE) AT 31 JULY 2013, AN INCREASE OF 44.0% FROM €171.0 MILLION AT 31 JULY 2012. OVERALL, AFTER TAKING INTO ACCOUNT THE AMOUNT OF DIVIDENDS PAYABLE IN CASH DURING THE FINANCIAL YEAR (€15.3 MILLION) AND THE ADDITIONAL CAPITAL RAISED DURING THE YEAR (€16.0 MILLION), THIS REFLECTS A STRONG POSITIVE PERFORMANCE OF 37.5% FOR THE FINANCIAL YEAR ON A PER SHARE BASIS
- THE COMPANY SUCCESSFULLY RAISED ADDITIONAL CAPITAL OF €16.0 MILLION, AFTER ISSUE COSTS, THROUGH A PRIVATE PLACEMENT OF 2,628,280 SHARES AT €6.18 PER SHARE IN MAY 2013
- A DIVIDEND PAYMENT OF €0.31 PER SHARE FOR THE SEMI-ANNUAL PERIOD FROM 1 FEBRUARY 2013 TO 31 JULY 2013 WILL BE PROPOSED AT THE DECEMBER 2013 AGM, IN ADDITION TO THE DIVIDEND OF €0.31 PER SHARE PAID IN APRIL 2013 FOR THE SEMI-ANNUAL PERIOD FROM 1 AUGUST 2012 TO 31 JANUARY 2013. SHAREHOLDERS WILL HAVE THE OPTION OF RECEIVING THIS DIVIDEND PAYMENT IN EITHER CASH OR VOLTA SHARES
- NET PROFIT OF THE COMPANY FOR THE FINANCIAL YEAR WAS €54.1 MILLION, OR €1.65 PROFIT PER SHARE, TAKING INTO ACCOUNT RECOGNITION OF THE FOLLOWING SIGNIFICANT ITEMS: EFFECTIVE INCOME OF €27.1 MILLION; A POSITIVE ADJUSTMENT OF €16.8 MILLION TO PREVIOUS ESTIMATES OF EFFECTIVE INCOME; A NET POSITIVE IMPAIRMENT ADJUSTMENT OF €14.8 MILLION ON PREVIOUSLY IMPAIRED ASSETS; A NET LOSS OF €5.7 MILLION ON FOREIGN EXCHANGE RETRANSLATION AND REVALUATION OF FOREIGN EXCHANGE DERIVATIVES AND OTHER DERIVATIVES; A MARK-TO-MARKET GAIN OF €9.7 MILLION ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS; NET REALISED GAINS ON SALES AND PARTIAL REDEMPTIONS OF €3.3 MILLION; AND NET OPERATING EXPENSES OF €11.8 MILLION, INCLUDING PERFORMANCE FEES PAYABLE OF €7.7 MILLION
- THE INVESTMENTS HELD BY THE COMPANY GENERATED €32.7 MILLION OF INTEREST OR COUPON RECEIPTS DURING THE FINANCIAL YEAR
- OVER THE FINANCIAL YEAR, THE INVESTMENT STRATEGY HAS BEEN TO INVEST CASH MAINLY IN UNDERLYING CORPORATE CREDIT RISK THROUGH CLO[1] TRANCHES AND SYNTHETIC CORPORATE CREDIT[2] DEALS. THE CASH HOLDINGS WERE €9.7 MILLION (BEFORE TAKING INTO ACCOUNT €7.4 MILLION THAT WAS COMMITTED TO SUBSCRIBE FOR TWO TRANCHES OF A NEW EUROPEAN CLO, BUT WHICH WAS NOT YET PAYABLE AS AT 31 JULY 2013) AT THE END OF THE FINANCIAL YEAR AGAINST €5.2 MILLION AT THE BEGINNING OF THE PERIOD
- DURING THE FINANCIAL YEAR, THE COMPANY PURCHASED ASSETS FOR €53.9 MILLION (INCLUDING €7.4 MILLION THAT WAS COMMITTED TO SUBSCRIBE FOR TWO TRANCHES OF A NEW EUROPEAN CLO, BUT WHICH WAS NOT YET PAYABLE AS AT 31 JULY 2013), SOLD ASSETS FOR €14.5 MILLION AND REDEEMED ASSETS FOR €9.7 MILLION, WHICH CONTRIBUTED TO AN INCREASE IN ITS ASSET BASE
- AS AT 31 JULY 2013, THE COMPANY HELD INVESTMENTS IN FOUR UNDERLYING ASSET CLASSES: CLOS (62.3%)[3]; SYNTHETIC CORPORATE CREDIT DEALS (22.5%)[3]; CASH CORPORATE CREDIT[2] DEALS (5.6%)[3]; AND ABS[4] (7.9%)[3]
- THE COMPANY INTENDS TO CONTINUE PURSUING INVESTMENT OPPORTUNITIES THAT ARE CONSISTENT WITH ITS OBJECTIVE OF PAYING A DIVIDEND AS 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 2013 WERE 5.7%, COMPARED TO 3.9% FOR THE FINANCIAL YEAR ENDED 31 JULY 2012. THE INCREASE IN OPERATING EXPENSES AROSE PRIMARILY AS A RESULT OF SIGNIFICANTLY HIGHER FEES PAYABLE TO THE INVESTMENT MANAGER AS A RESULT OF FURTHER IMPROVED PERFORMANCE. EXCLUDING FEES PAYABLE TO THE INVESTMENT MANAGER, OTHER OPERATING EXPENSES AS A PERCENTAGE OF AVERAGE NAV FOR THE FINANCIAL YEAR ENDED 31 JULY 2013 WERE 0.8%, COMPARED TO 0.8% FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

Definitions:

[1] Collateralised Loan Obligations ("CLOs" or "CLO")

[2] Synthetic Corporate Credit and Cash Corporate Credit deals are structured credit positions predominantly exposed to corporate credit risks materialised respectively by synthetic contracts such as credit default swaps ("CDS") or cash (loans and/or bonds)

[3] Expressed as a percentage of originally reported Gross Asset Value ("GAV") as at 31 July 2013

[4] Asset-Backed Securities ("ABS")

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CORPORATE SUMMARY FOR THE YEAR ENDED 31 JULY 2013

THE COMPANY

Volta Finance Limited (the "Company", "Volta Finance" or "Volta") is a closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 45747 and registered with the Netherlands Authority for the Financial Markets pursuant to Section 1:107 of the Dutch Financial Markets Supervision Act.

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

INVESTMENT OBJECTIVES

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 are described in this Corporate Summary and in Note 21, it seeks to attain its investment objectives by pursuing a multi-asset class investment strategy, although investments made during the financial year 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 the Company's assets have been purchased, part of the expected return for most of the Company's 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; commercial mortgage loans; automobile loans; student loans; credit card receivables; leases; and debt and equity interests in infrastructure projects (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 financial year covered by this report by concentrating on the following underlying asset classes: CLO, Synthetic Corporate Credit, Cash Corporate Credit and ABS. As at the financial year end and throughout the financial year, the Company held assets in its portfolio classified within each of these main asset classes.

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 2013, the Company's NAV was €246.3 million, with the NAV per share amounting to €6.92. The Company publishes its NAV on a semi-annual basis and publishes its GAV monthly.

NAV is an expression of the total value of the Company that takes into account the current fair value of the Company's investments, accruals for debtors and the amount of the Company's liabilities. The wCompany's NAV at 31 July 2013 can be seen in the Statement of Financial Position on page 32 ("Total shareholders' equity" line).

GAV is an expression of the Company's value that 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 as the Company has no debt financing and its NAV is published only semi-annually.

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 the NYSE Euronext Amsterdam Stock Exchange ("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 2013 was €6.04 per share.

The average closing price of the Company's listed shares quoted on Euronext Amsterdam over the financial year ended 31 July 2013 was €5.77 per share.

PROVISIONAL FINANCIAL CALENDAR

21 October 2013	Announcement of results for the financial year ended 31 July 2013 and publication of the 2013 annual report
3 December 2013	Annual General Meeting
5 December 2013	Ex-dividend date
9 December 2013	Dividend record date
30 December 2013	Dividend payment date

PRINCIPAL RISK FACTORS

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

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

The following risks and uncertainties are those that the Company believes are material, but these risks and uncertainties may not be the only ones that the Company and its shareholders may face. Additional risks and uncertainties, including those that the Company is not aware of or views as immaterial, may also result in decreased revenues, increases expenses or other events that could result in a decline in the value of the Shares.

RISKS RELATING GENERALLY TO THE COMPANY'S INVESTMENTS

The Company's investment strategy involves a high degree of exposure to potential losses.

Prospective investors in the Shares must accept and be able to bear the risk of investment in assets bearing a high level of embedded leverage on various forms of credit.

Indeed, most of the Company's investments will be in subordinated securities and subordinated loans, or will be structured so as to create the risk/return profile of subordinated securities or loans, and so can be particularly susceptible to losses on underlying assets or from credit contracts.

Defaults or unexpected changes in the timing of cash flows or in recovery rates from the Company's investments may have a negative impact on the value of the Company's portfolio and its cash flows.

Many of the Company's investments will be illiquid or have limited liquidity, which can adversely affect valuations and realisations.

The performance of many of the Company's investments may depend to a significant extent upon the performance of the servicers or portfolio managers of underlying asset portfolios.

In some cases, the Company's investments will be subject to multiple layers of management and other fees.

The ability of the Company to implement its investment strategies and to achieve targeted returns may be limited by an inability to source appropriate investments in which to invest.

Rising interest rates may adversely affect the market value of some of the Company's investments and declining interest rates may affect the return on available re-investment opportunities.

Hedging transactions may limit gains or result in losses.

The Company's investments will be subject to differing laws regarding creditors' rights and the enforceability of security.

The Company's investment portfolio may be subject to concentration risk.

The Company will be subject to market risk and credit risk.

The Company will be exposed to foreign exchange risk.

The Company's reported net income may be volatile due to mark-to-market adjustments of portfolio positions.

The Company may invest in assets on terms that limit the Company's control over those assets.

RISKS RELATING TO THE INVESTMENT MANAGER

The Company's investment performance is heavily dependent on the Investment Manager.

The Board is responsible for the determination of the Company's investment objectives and investment guidelines and has overall responsibility for overseeing the Company's activities, including oversight of the activities of the Investment Manager. However, the Company's investment performance is heavily dependent on the skills and judgment of the Investment Manager, which has significant discretion in the implementation of the Company's investment programme. In particular, the Company's performance will be dependent on the success of the Investment Manager's investment process. The Board has instructed the Investment Manager to conduct the Company's investment-related activities in compliance with applicable law, the Company's investment objectives and guidelines and the Company's contractual undertakings.

There can be no assurance that the Investment Manager's past performance will be any guide to future performance or results.

POTENTIAL TAX RISKS

If withholding tax were imposed in respect of distributions or other payments on the Shares, the value of the Shares could be materially and adversely affected.

If the investment activities of the Company unexpectedly cause it to become subject to tax on a net income basis in any country, including France, the United Kingdom or the United States, the Company's financial condition and prospects could be materially and adversely affected.

If unanticipated withholding or excise taxes are imposed in respect of distributions or other payments on the Company's direct and indirect investments, the return on those investments could be materially and adversely affected.

The Company expects that US taxpayers generally would be subject to adverse US tax consequences in respect of their investment in the Shares under US tax rules applicable to "passive foreign investment companies".

US taxpayers should consult their own tax advisors regarding the US federal income tax consequences that would apply to them as actual and deemed owners of numerous passive foreign investment companies as a result of their investment in the Shares, including any US federal income tax elections that may be available to help mitigate such consequences. However, the Company is not obliged to provide investors or their advisors with such information that might be required for US tax reporting purposes and it does not intend to provide such information.

REGULATORY RISKS

Any regulatory changes arising from implementation of the Alternative Investment Fund Managers Directive ("AIFM Directive" or "AIFMD"), or any other relevant regulatory changes, that impair the ability of the Investment Manager to manage the investments of the Company, or limit the Company's ability to market future issuances of its shares, may adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective.

It seems likely that the AIFMD will result in additional burdens being placed on the Investment Manager and/or the Company, which may create additional compliance costs and risks for the Company. Please refer to the Report of the Directors for further details.

It is currently anticipated that Guernsey will enter into an Intergovernmental Agreement ("IGA") with the US Treasury and the UK in order to comply with the US Foreign Account Tax Compliance Act ("FATCA") and that the Company will be regarded under such IGA as a Foreign Financial Institution ("FFI") resident in Guernsey. As such, it is currently anticipated that the Company will have certain requirements to register as a deemed compliant FFI. According to the current draft UK/US IGA guidance notes, there will be a reduction of reporting requirements for listed companies. However, it should be noted that the draft IGAs and related draft guidance notes may be subject to change prior to finalisation, which could potentially impact upon the Company and/or its shareholders. Non-compliance with FATCA could potentially expose the Company to a US withholding tax on all proceeds from its US investments at the rate of 30%.

CHAIRMAN'S STATEMENT

During the financial year ended 31 July 2013, Volta continued to demonstrate its ability to create value for shareholders with a 37.5% increase in NAV per share including dividend payments.

Our Company successfully completed its first new capital raising in May 2013, with a private placement of 2.6 million new ordinary shares at a price of €6.18 for net proceeds of €16.0 million, which contributed to the increase in NAV.

The value of our Company's assets significantly increased, as well as cash generated from its assets. Over the period, the NAV increased from €171.0 million as at 31 July 2012 to €246.3 million as at 31 July 2013, after taking into account the capital raising and payment of two dividends of €0.26 per share and €0.31 per share, of which €15.3 million was paid in cash and €3.1 million was paid in shares.

Actual interest and coupons collected from our assets increased from €30.7 million to €32.7 million over the financial year.

Our Company's profit was €54.1 million (or €1.65 per share) for the financial year ended 31 July 2013, compared to a profit of €50.6 million (or €1.63 per share) for the previous financial year ended 31 July 2012.

Our 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 cash flows. Through this strategy, we were able to approximately maintain our asset base (from €7.95 per share to €7.83 per share) despite a negative contribution of €0.32 per share due to the significant appreciation of the US dollar against the euro (please refer to table 8 and the related comments in Section 6 of the IMR for more details on the computation of "asset base").

Before taking into account €7.4 million that was committed to subscribe for two tranches of a new European CLO issued in September 2013, but which was not yet payable as at 31 July 2013, €9.7 million was held in cash compared with €5.2 million at the end of July 2012.

During the financial year our Company continued to invest predominantly in assets that are principally exposed to corporate credit risk. As we have reported in our monthly report for some months now, the stigma attached to structured finance assets has largely disappeared and prices have strengthened. As a consequence, the yields at which assets could be sourced in the last six months were generally within a range of approximately 8% to 11% compared with an average expected yield of 15.3% for the assets purchased during the financial year ended 31 July 2012. Our Investment Manager considers that this will be the expected range for the foreseeable future.

We called an Extraordinary General Meeting ("EGM") earlier this year to seek shareholders' approval to simplify the Investment Manager Performance Fee formula in an effort to adopt a more market standard approach and help make our Company's results more predictable. This was approved by our shareholders.

In common with many similar entities, Volta will be impacted by the European AIFM Directive. At the time of writing and considering the information available, it seems to the Board that one of the principal consequences of this Directive may be initially to limit the access of Volta to certain assets. Our Investment Manager believes that, over time, it could be expected that such limitation should not be significant once market participants have adapted their practices to the new set of financial regulations (AIFMD, CRD IV, Dodd-Frank Act, etc).

We remain committed to transparency and continue to offer a high level of information on our Company's assets and investment strategy. In addition, over the financial year, our Investment Manager had regular contacts with equity analysts in order to improve the coverage of the Company by the financial community and to help improve the liquidity of our shares. We remain, as usual, available to address shareholders' questions via conference calls such as the one to be held after the release of this report.

TRANSACTIONS WITH RELATED PARTIES

For details of transactions between the Company, its Directors, the Investment Manager and other related parties, please refer to Note 22 within the financial statements.

DIVIDEND

The Board of Volta believes it is time to modify our dividend policy to adjust to present realities. As a result, the Board is proposing a final dividend of €0.31 per share, which amounts to €10.9 million, for the financial year ended 31 July 2013. This dividend is in addition to the €0.31 per share interim dividend paid in April 2013 and brings the total dividend rate for the year to 9.3% (of the NAV excluding cash as at 31 July 2013). The Board recognises that, whilst this is a still a strong dividend, it does represent a slight reduction compared with the Company's previous practice of paying a dividend of approximately 10% of NAV excluding cash at the end of the relevant period.

The Board has taken into consideration our Company's objectives to seek to both preserve its capital and to provide a stable stream of income to its shareholders through dividends and has concluded that dividend payments should not exceed the expected return of our assets less our running costs. As mentioned above, the yields at which assets are currently sourced and priced has reduced to a point where the dividend rate needs to drop below 10%. In order to give shareholders an idea of future dividend payments, we publish the projected return of purchased assets in our monthly report and publish estimates of the projected IRRs of our assets (Section 4 of the IMR) in our annual and semi-annual reports.

The payment of any dividend by our Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008 (as amended). Shareholders will have the option of receiving the proposed dividend payment in either cash or Volta shares.

OUTLOOK

At the time of writing, taking into account the proposed dividend payment, our Company can be considered as fully invested. Bearing in mind the current economic and financial situation, we will focus on re-investing ongoing cash flows when they are received, whilst managing our cash or near-cash position for dividend payment purposes as well as honouring other financial commitments. Considering the spread compression that has occurred on many of the debt assets we own, the Investment Manager is considering selling a significant portion of these assets in order to re-invest the proceeds in assets that represent, at the time of purchase, better opportunities. Considering the expected maturity of our portfolio, re-investment of principal repayments or prepayments will become more sizeable in the coming years (€25m to €35m can be expected to be prepaid or repaid during the next financial year).

In accordance with our Investment Manager's advice, our Company intends to favour assets that are expected to have ongoing stable cash flows at the time of purchase. We expect that most of the investments will be into assets leveraging corporate credit exposures through CLO tranches, cash or synthetic bespoke transactions. However, investments in other areas, including structured mortgage loans, may also be considered.

JAMES GILLIGAN
CHAIRMAN
18 OCTOBER 2013

INVESTMENT MANAGER'S REPORT

1. OVERVIEW

During the financial year, Volta continued to invest predominantly in assets that give access to corporate credit exposures and modestly increased cash flow generation from its assets. The NAV of the Company increased from €171.0 million (€5.45 per share) to €246.3 million (€6.92 per share) over the financial year and in the meantime the Company paid two dividends: €0.26 per share in December 2012 and €0.31 per share in April 2013. Per share, the annual performance was 37.5%.

GENERATION OF CASH FLOWS

Volta's assets generated €32.7 million of interest or coupons over the financial year, representing an annualised rate of 19.3% of Volta's beginning of period NAV, compared to €30.7 million in the previous financial year.

Volta should continue to receive a similar amount of interest and coupons in the forthcoming financial year. Furthermore, it should be noted that 55% of Volta's end-of-period GAV consisted of debt assets valued 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 return on the assets. Hence, it should be expected that principal payments will significantly increase and that interest and coupons may reduce to approximately 11% to 12% of the NAV for the forthcoming financial year due to the NAV increase over the period.

VOLTA HAS BEEN ABLE TO INVEST IN ASSETS WITH AN EXPECTED IRR CLOSE TO 10%

- **During the financial year (including €7.4 million that was committed to subscribe for two tranches of a new European CLO issued in September 2013, but which was not yet payable as at 31 July 2013) Volta purchased the equivalent of €53.9 million in investments (€60.2 million of principal), sold the equivalent of €14.5 million of assets and received some principal amount through partial or full redemption of principal amounts for the equivalent of €9.7 million**. This latter amount should increase to €25 million to €35 million for the forthcoming financial year, depending on the occurrence of early prepayments.
- **Under standard and reasonable assumptions made at the time of purchase, the average expected IRR of Volta's purchases made during the financial year was 9.8%**. It is a mix of 12% for the first six-month period and 9.1% for the last six-month period.

During the period, Volta diversified its investments through 19 different investments. Assets exposed to underlying corporate credits represented 92% of purchases.

For all investments in debt assets, 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. Considering current opportunities in the market and assuming no heightened economic crisis, we estimate Volta's ability to maintain or slightly increase the principal amount of its assets to slow down again but to be close to €5 million for the next financial year (excluding the potential impact of US dollar/euro exchange rate movements).

THE NAV OF THE COMPANY SIGNIFICANTLY INCREASED THANKS TO A SUPPORTIVE CREDIT MARKET ENVIRONMENT

During the financial year, Volta's NAV increased from €171.0 million, or €5.45 per share, at the end of July 2012 to €246.3 million, or €6.92 per share, at the end of July 2013.

This strong performance, in addition to the €0.26 and €0.31 per share dividend payments made during the financial year is in line with the good fundamentals of Volta's assets. The choice of the Company to re-invest predominantly in assets where performance relies mostly on corporate credit exposures appears to have been the correct decision. Part of the performance also came from the revaluation of UK non-conforming residual positions. On average, fundamental measures of Volta's asset quality, such as the weighted average rating factor ("WARF") of the underlying corporate credit portfolio or over-collateralisation tests, was roughly unchanged during the financial year under review, despite a somewhat weak economic environment.

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 July 2013 NAV is in line with a reduction of structured finance asset discount margins**. For years, structured finance assets were priced with exacerbated caution related to the blow up of subprime assets and the severe financial stress that followed the bankruptcy of Lehman Brothers. At the end of July 2013, no more significant stigma of structured finance assets was priced into Volta's assets. As a result, the overall portfolio is now roughly priced with discount margins that seem to reasonably reflect the underlying fundamental risk plus a liquidity and complexity premium.

NEAR-TERM EXPECTATIONS

At the end of the financial year, the prevailing situations in Europe and in the US were somewhat different. Twelve-month rolling default rates for US-based corporate entities stabilised at a historically low level, while remaining above the historical average for European high yield names. At the time of writing, rating agencies and most market participants anticipate that such a situation could carry on for a few years, forecasting for European speculative names default rates 2% to 3% above the respective US forecasts. This situation is fully reflected in Volta's asset prices. For example and on average, Volta's European debt of CLO, an asset class for which no loss would be expected under current rating agencies' central scenarios, was priced at 81%, against 92% for US dollar debt of CLO at the end of July 2013. Hence, further stabilisation in the European economic situation should be positive for Volta's assets in terms of valuation. Considering that defaults in the US are still expected to stay at or below the historical average, cash flows received from Volta's assets should continue to be important for the coming twelve months, roughly similar to those observed during the financial year under review.

Given that the stigma on structured finance assets has almost disappeared and even if structured finance assets still benefit from some premium relative to underlying fundamental risks, Volta's asset prices should roughly evolve in line with prices or discount margins of underlying assets as has been experienced in June 2013 for example. The impressive increase in prices of structured finance assets that has generally occurred since the spring of 2009 is almost over, now that prices have almost normalised. We now expect further price increases to be mostly linked to pull to par mechanisms instead of discount margin reductions. 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 financial year:

- maintain the expected cash flows from the Company's investments through various asset switches whilst considering the diversity of assets held by the Company; and
- re-invest the ongoing cash flows generated by the portfolio in order to pursue yield and diversification whilst maintaining the asset base and 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 within the financial statements.

PAST PERFORMANCE

As a listed company investing mainly in US dollar and euro corporate assets, Volta's performance bears comparison with both equity and high yield bonds indices. As of the end of July 2013 the performance was as follows[1]:

	1 year %	2 years %	3 years %	5 years %
GAV performance (including dividend payments not re-invested)	37.1	69.7	156.6	61.4
Share performance (including dividends but not re-invested)*	50.6	80.3	216.2	298.5
Share performance (dividends re-invested in the share)*	**51.1**	**93.0**	**253.3**	**660.5**
S&P 500 (dividends re-invested in shares)*	25.0	36.4	63.2	48.7
MSCI Euro (dividends re-invested in shares)*	24.0	16.1	20.6	8.0
US High Yield Bonds (H0A0 index on Bloomberg)	10.2	17.5	32.7	70.7
European High Yield Bonds (HE00 index on Bloomberg)	25.6	14.4	36.8	53.3

* Figures given by Bloomberg using the TRA function.

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

Overall, since Volta's launch in December 2006, the performance of an investor re-investing their dividend in the Company's shares can be favourably compared to the average performance of the large equity indices and the high yield bond indices referenced in the table above. Considering the fact that structured finance assets were the hardest and the first to be hit in 2007/2008, the performance of Volta over the last three to five years has been very strong, thanks predominantly to its re-investment programme and the deep discount Volta shares traded at during the height of the crisis.

As a result of the significant performance of Volta's assets over the latest semi-annual period and over the last two years, the Investment Manager will receive €4.0 million of Performance Fees for the semi-annual period ended on 31 July 2013, as the performance is above the required performance threshold. Performance Fees are based on the performance of the assets, as measured by the Distribution Income, and depend upon semi-annual and bi-annual performance measures (for more details about the Distribution Income calculation please refer to pages 62 to 66 and for more detail on the calculation of Performance Fees please refer to Note 22 of the financial statements). The Investment Manager Performance Fee formula was revised with the approval of Shareholders. The new formula will start applying effective from 1 August 2013. Please refer to Note 22 for more information.

INVESTMENT MANAGER'S REPORT CONTINUED

1. OVERVIEW CONTINUED

GENERAL OUTLOOK

When conducting the investment strategy during the financial year under review, the Company pursued the following objectives:

- increase the diversification of its portfolio (from 75 assets at the beginning of the financial year to 85 assets at the end of the period) with investments mainly exposed to corporate credit underlying risk through various formats (CLO/ synthetic and cash structures);
- increase the principal amount of Volta's assets;
- enhance the ability of the portfolio to better resist economic or financial stress (most of the investments during the period concerned tranches of structured finance transactions that have subordination to losses);
- increase the level and the stability of ongoing interest and coupons received by the Company (€33.1 million of interest and coupon payments received during the financial year); 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 almost become normal again from historically high levels. This situation should facilitate the resumption of issuances. As in the past, Volta should be well placed to exploit such a situation given its experienced investment teams, few constraints in terms of ratings and limited liabilities. At the time of writing this report, market practices in structured finance are in the process of being adapted to the new AIFM Directive. For the moment this creates some limits in terms of investment, especially on US investments, but it can be reasonably expected that market practices will continue adapting in order to reduce these limitations.

A description of the principal risks and uncertainties that the Company faces is provided in the Corporate Summary and in Note 21 within the financial statements, but it should be noted that if the current sovereign debt crisis, especially in the eurozone, degenerates into a more general and profound economic crisis, the positioning of the Company predominantly toward corporate credit exposures could generate significant losses.

2. INVESTMENTS

In line with previous financial years, the attractive level of discount margins during the financial year on mezzanine tranches of structured finance assets and the necessity for banks to limit regulatory capital requirements enabled the Company to purchase assets in various formats. Including €7.4 million that was committed to subscribe for two tranches of a new European CLO issued in September 2013, but which was not yet payable as at 31 July 2013, the Company purchased 19 different assets for a total of the equivalent of €53.9 million over the course of the financial year ended 31 July 2013 with an expected average IRR of close to 10%:

- €35.3 million was used to purchase 13 CLO Debt tranches;
- €3.9 million was invested in one euro CLO Equity tranche;
- €11.2 million was invested in three Bank Balance Sheet transactions; and
- €3.5 million was invested in 2 ABS Debt investments.

During the financial year, Volta sold €14.5 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 or to reduce the exposure to some specific assets.

In addition to re-investments made during the financial year, important variations in the relative performance of asset classes have also changed the Company's asset allocation since 31 July 2012.

All of the information presented in the remainder of the Investment Manager's Report as at 31 July 2013 includes €7.4 million that was committed to subscribe for two tranches of a new European CLO issued in September 2013 (but which was not yet payable as at 31 July 2013) within EUR CLO Debt and EUR CLO Equity, as appropriate, and excludes this amount from cash.

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

Main asset class	Sub-classification	31 July 2013 %	31 July 2012 %
CLO	USD Equity tranches	**14.6**	21.1
	EUR Equity tranches	**3.2**	1.7
	USD Debt tranches	**21.9**	24.6
	EUR Debt tranches	**22.6**	15.9
Synthetic Corporate Credit	Equity tranches	**6.1**	5.5
	Debt tranches	**8.6**	10.2
	Bank Balance Sheet transactions	**7.8**	4.1
Cash Corporate Credit	Equity tranches	**4.2**	7.9
	Debt tranches	**1.4**	1.8
ABS	Mortgage Residual positions	**6.5**	3.2
	Debt tranches	**1.4**	1.8
Cash		**1.7**	2.2

* GAV of €247.1 million as at 31 July 2013 and GAV of €173.2 million as at 31 July 2012. The valuation of each asset class takes into account the valuation of the individual assets and of the derivatives hedging the asset class. Figures may not precisely 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 by re-investing mainly in assets that give Volta a leveraged exposure to both US and European corporate credit markets.

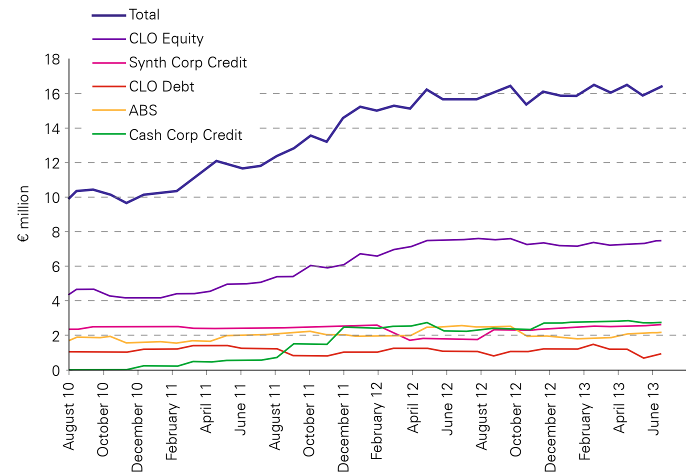
Overall, the investment strategy aims to invest in assets able to deliver an adequate return: on average, assets purchased during the financial year were expected to deliver close to 10% return under a base case scenario.

3. INVESTMENT PORTFOLIO

As at 31 July 2013, Volta held assets divided amongst four asset classes: CLOs, Synthetic Corporate Credit deals, Cash Corporate Credit transactions and ABS.

It should be noted that the vast majority of the portfolio's assets as at 31 July 2013 had exposure to underlying portfolios of corporate credit positions (loans, bonds and CDS issued by or on corporate entities).

Before going into detail regarding each main asset class it should be noted that almost half of the cash flows generated by Volta's assets were from the CLO Equity positions:



This situation is anticipated to continue for the coming financial year, when we expect the amount of interest and coupons collected by the Company to stabilise around the latest figures unless Libor or Euribor short-term rates increase.

CLO

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

EQUITY TRANCHES OF CLO

As at 31 July 2013 the Company held thirteen positions (including the latest positions traded at the end of July but not yet settled) in residual tranches of loan portfolios:

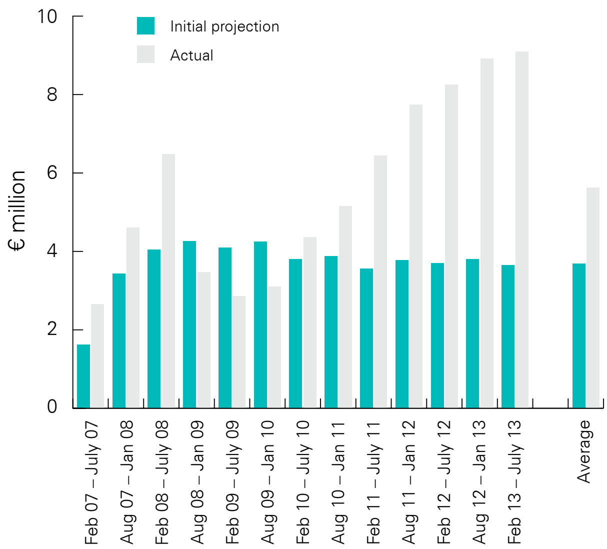
- twelve classic equity tranches of CLOs (equity tranches typically represent between 8% and 12% of the capital structure of the deal and give access with an eight to twelve times leverage to the excess cash flows of the structure); and
- one position in a structured vehicle (Prelude) managed by AXA IM Paris that gives access to the payments of approximately 28 different CLO Equity positions.

PERMANENCE OF STRONG PAYMENTS FROM RESIDUAL TRANCHES OF CLO

During the financial year, the residual tranches of CLO held by Volta generated €14.9 million of cash flows (from assets valued at €40.6 million at the end of July 2012).

The eight classic US dollar residual positions held since early/mid 2007 had accumulated cash flows of $70.6 million up to the end of July 2013, representing 147% of their original principal value ($48.0 million). The two euro residual positions held since early/mid 2007 had accumulated payments of €7.9 million at 31 July 2013, representing 88% of their original principal value (€9.0 million). Altogether, these cash flows are 41% 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 defaults per year was projected depending on each transaction). See below for a comparison, period after period, between projected cash flows (at purchase date) and actual cash flows for the eight US dollar residual positions held since inception. During the financial year under review, actual cash flows were more than double those which were projected six years ago at purchase.

Initially Projected and Actual cash flows from the 8 USD Residual positions held by Volta since inception



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, US dollar and euro transactions altogether, held since early/mid 2007, the effective cash flows available for the owner of the residual positions have increased by more than 50% throughout the crisis as a result of the significant increase of the weighted average spread of the underlying portfolios. It is also a consequence of the zero interest rate policy ("ZIRP") conducted by the US Federal Reserve to limit spread compression.

INVESTMENT MANAGER'S REPORT CONTINUED

TABLE 2 – LIST OF CLO EQUITY HOLDINGS AS AT 31 JULY 2013

Issuer	% GAV	Main asset class	Sub-classification	Description of underlying asset	Manager/ Servicer	Principal geographical exposure	ISIN	Arranging institution
Northwoods Capital Limited	3.24	CLO	Equity	Broadly syndicated loans	Angelo Gordon	USA	USG6666RAB18	JP Morgan
Wasatch CLO Ltd	2.15	CLO	Equity	Broadly syndicated loans	Invesco	USA	USG94608AB57	JP Morgan
Carlyle HY Part IX	2.13	CLO	Equity	Broadly syndicated loans	Carlyle	USA	KYG1908R1048	Lehman Brothers
Golden Tree Loan opportunities	2.13	CLO	Equity	Broadly syndicated loans	Golden Tree	USA	USG39607AC37	Deutsche Bank
Batallion CLO LT – Equity	1.88	CLO	Equity	Broadly syndicated loans	Brigade Capital Management	USA	USG08887AA27	Deutsche Bank
Arese 2013–6 – Sub	1.57	CLO	Equity	Broadly syndicated loans	Arese Europe	Europe	XS0951556850	Credit Suisse
Sands Point Funding Ltd	1.13	CLO	Equity	Middle market loans	Guggenheim	USA	USG7800DAA93	Deutsche Bank
Lightpoint Pan European CLO plc	0.93	CLO	Equity	Broadly syndicated loans	Neuberger Berman	Europe	XS0282169803	Credit Suisse
Oak Hill European Credit Partners plc	0.67	CLO	Equity	Broadly syndicated loans	Oak Hill	Europe non-UK	XS0300349700	Deutsche Bank
Lightpoint CLO V, Ltd	0.62	CLO	Equity	Broadly syndicated loans	Neuberger Berman	USA	USG5487GAG31	Credit Suisse
Prelude Credit Alpha plc	0.62	CLO	Equity	Broadly syndicated loans	AXA IM Paris	USA	XS0213954802	Wachovia Bank N.A.
Galaxy VII CLO Ltd	0.54	CLO	Equity	Broadly syndicated loans	AIG	USA	USG25796AB20	Morgan Stanley
Denali Capital CLO V Ltd	0.15	CLO	Equity	Broadly syndicated loans	Denali Capital LLC	USA	US24821MAB46	JP Morgan

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

3. INVESTMENT PORTFOLIO CONTINUED

PERMANENCE OF STRONG PAYMENTS FROM RESIDUAL TRANCHES OF CLO CONTINUED

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. According to the latest CLO reports available at the end of July 2013, the average remaining principal amount of the eleven classic residual positions held by Volta (not taking into account the latest purchase, not yet ramped up) was 93% of the original principal amount of the equity at the end of July 2013 (unchanged from the end of January 2013) against 100% at the end of July 2012. This decline is not due to any material loss, on average, at the underlying loan portfolio level but to the decision to reflect, when measuring the remaining principal amount, projected Performance Fees that will be due to the CLO managers and that, as a consequence, will diminish the amount due to CLO Equity. Indeed, some of the US CLOs where Volta holds a residual position have already reached their hurdle rate (most of the time 12% realised IRR), entitling the CLO manager to get its Performance Fee (most of time 20% of any future cash flow). The impact of these Performance Fees is already taken into account in the valuation of each CLO Equity position.

All of the positions in this bucket are negatively exposed to an increase in default rates or in the percentage of assets rated CCC or below and to a significant decrease in underlying loan prices. However, they strongly benefit from a historically cheap cost of leverage, locked in before the 2008 crisis and also benefit from some of their intrinsic features, mainly the ability to re-invest diverted amounts and prepayments.

As at 31 July 2013, the average price of the Company's eleven classic residual positions held over the financial year (82% of original principal amount for US dollar assets and 60% of original principal amount for euro assets) reflects a reasonable scenario of defaults with still a decent level of discount margin.

DEBT TRANCHES OF CLOS

As at 31 July 2013, the Company held 46 positions in debt tranches of CLOs accounting for 44.5% of Volta's end-of-period GAV. 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 debt tranches of CLOs have been in tranches initially rated between BB (second loss position) and A (generally fourth loss position).

These positions were purchased between March 2008 and July 2013. Each asset, at the time of purchase, was expected to repay its principal in full at maturity and should 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 9.5% at the end of July 2013 under a base case scenario.

These positions, as for the residual holdings, have cash flows that are sensitive to the level of defaults and to 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.

TABLE 3 – LIST OF CLO DEBT HOLDINGS AS AT 31 JULY 2013

Issuer	% GAV	Main asset class	Sub-classification	Description of underlying asset	Manager/ Servicer	Principal geographical exposure	ISIN	Arranging institution
Adagio III CLO – E–BB debt	2.32	CLO	Debt	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262683971	Lehman Brothers
Batallion CLO LTD – E–BB debt	2.25	CLO	Debt	Broadly syndicated loans	Brigade Capital Management	USA	USG08889AF79	Deutsche Bank
Acas CLO 2013–1 – E–BB debt	2.22	CLO	Debt	Broadly syndicated loans	ACAM	USA	USG0067AAA81	Deutsche Bank
Oak Hill European Credit Partners plc	2.21	CLO	Debt	Broadly syndicated loans	Oak Hill	Europe non-UK	XS0300349379	Deutsche Bank
CIFC 2006–2X – BB Debt	1.82	CLO	Debt	Broadly syndicated loans	CIMC	USA	XS0279835614	Bear Stearns & Co Inc
Cheyne Credit OPP. DO–BBB debt	1.80	CLO	Debt	Broadly syndicated loans	Nomura	Europe non-UK	XS0243225728	Cheyne Capital Management Ltd
Arese 2013–6 – E–BB	1.42	CLO	Debt	Broadly syndicated loans	Arese Europe	Europe non-UK	XS0951555530	Credit Suisse
Madison Park Funding E–BB debt	1.36	CLO	Debt	Broadly syndicated loans	Credit Suisse Alternative Capital	USA	USG5744QAA34	Merrill Lynch
Oryx 1X – D–BBB debt	1.33	CLO	Debt	Broadly syndicated loans	AXA IM	Europe non-UK	XS0230415373	UBS
JUBIL1 R – D–BBB Debt	1.31	CLO	Debt	Broadly syndicated loans	Alcentra	Europe non-UK	XS0292633533	JP Morgan
Skellig Rock 2006–1X – C–A debt	1.31	CLO	Debt	Broadly syndicated loans	GSO Blackstone	Europe non-UK	XS0273474444	JP Morgan
Limerock 1A – D–BB Debt	1.25	CLO	Debt	Broadly syndicated loans	Invesco	USA	US532623AH83	Credit Suisse
Regatta Funding 2007–1X – B1L–BBB Debt	1.16	CLO	Debt	Broadly syndicated loans	Citi Capital Advisor	USA	USG7476XAF71	Bear Stearns
Batallion CLO LTD – D–BBB debt	1.14	CLO	Debt	Broadly syndicated loans	Brigade Capital Management	USA	US071322AE14	Deutsche Bank
LightPoint CLO V – C–BBB debt	1.11	CLO	Debt	Broadly syndicated loans	Neuberger Berman	USA	USG5487GAD00	Credit Suisse
Centurion 10 – E–BB debt	1.04	CLO	Debt	Broadly syndicated loans	River Source Investments LLC	USA	US15132PAA12	Morgan Stanley
EGLXY 2006–1 – D–BBB debt	1.00	CLO	Debt	Broadly syndicated loans	Pinnebridge (aka AIG)	Europe non-UK	XS0264791855	Morgan Stanley
Black Diamond 2012 – D–BB debt	0.98	CLO	Debt	Broadly syndicated loans	Black Diamond Capital Management LLC	USA	USG1146TAA00	Credit Suisse
Duane Street CLO – D1–BBB debt	0.96	CLO	Debt	Broadly syndicated loans	Citi Capital Advisor	USA	US26358BAL27	Morgan Stanley
Carlyle GMSE 1X – E–BB	0.96	CLO	Debt	Broadly syndicated loans	Carlyle	Europe non-UK	XS0941552407	Barclays Capital
SIERA 2006–2X – B2L–BB debt	0.94	CLO	Debt	Broadly syndicated loans	Apidos Capital Management	USA	XS0276546065	Bear Stearns
CELF 2005–2 D–BBB debt	0.92	CLO	Debt	Broadly syndicated loans	Carlyle Europe	Europe non-UK	XS0233121234	JP Morgan
ACAS C 2012–1X – E–BB debt	0.90	CLO	Debt	Broadly syndicated loans	ACAM	USA	USG00669AA28	Deutsche Bank
Adagio III–X – D–BBB debt	0.88	CLO	Debt	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262683203	Lehman Brothers
LAURELIN – D1–BBB debt	0.88	CLO	Debt	Broadly syndicated loans	Golden Tree Asset Management LP	Europe non-UK	XS0305010711	Barclays Capital
Tara Hill 1X – III–BBB debt	0.82	CLO	Debt	Broadly syndicated loans	GSO Blackstone	Europe non-UK	XS0122499931	Morgan Stanley
Harvest IV – C–A debt	0.78	CLO	Debt	Broadly syndicated loans	3i Debt Management	Europe non-UK	XS0189775249	Merrill Lynch
Euro Galaxy CLO BV – E–BB debt	0.75	CLO	Debt	Broadly syndicated loans	AIG Global Investments	Europe non-UK	US29871UAG31	Morgan Stanley
Black Diamond 2006–1X – E–BB debt	0.73	CLO	Debt	Broadly syndicated loans	Black Diamond Capital Management LLC	USA	XS0282504280	Bear Stearns
H1776 CLO – D–BBB debt	0.72	CLO	Debt	Broadly syndicated loans	W.R.Huff Asset Management	USA	US81806PAE07	Deutsche Bank
Adagio III CLO – C–A debt	0.69	CLO	Debt	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262682148	Lehman Brothers
LFE IV – S4–BBB Debt	0.67	CLO	Debt	Broadly syndicated loans	BNP Paribas	Europe non-UK	XS0269248398	BNP Paribas
Clare Island 1X IV – B–BB debt	0.63	CLO	Debt	Broadly syndicated loans	GSO Blackstone	Europe non-UK	XS0143896875	Morgan Stanley
CLOML 2007–1X – D–BBB debt	0.59	CLO	Debt	Broadly syndicated loans	Denali Capital LLC	USA	USG60283AK75	Merrill Lynch
Acas CLO 2013–1 – F–B debt	0.57	CLO	Debt	Broadly syndicated loans	ACAM	USA	USG0067AAB64	Deutsche Bank
Duane Street 2006–3X – E–BB	0.55	CLO	Debt	Broadly syndicated loans	Citi Capital Advisor	USA	USG29281AA33	Morgan Stanley
Alpstar CLO 2 PLC – E–BB debt	0.52	CLO	Debt	Broadly syndicated loans	Alpstar Management	Europe non-UK	XS0291723079	Bank of America
Galaxy VIII CLO LTD – E–BB debt	0.48	CLO	Debt	Broadly syndicated loans	AIG	USA	US36317KAA51	Morgan Stanley
Adagio II CLO – D1–BBB debt	0.44	CLO	Debt	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0237058424	Merrill Lynch International
Apidos CDO – E–BB debt	0.42	CLO	Debt	Broadly syndicated loans	Apidos Capital Management	USA	US03761NAA00	Morgan Stanley
Tara Hill 1X – IV–BB debt	0.39	CLO	Debt	Broadly syndicated loans	AIB Capital Markets plc	Europe non-UK	XS0122500027	Morgan Stanley
Regent Park 1X – E–BB	0.36	CLO	Debt	Broadly syndicated loans	GSO Blackstone	Europe non-UK	XS0268111126	JP Morgan
Century CDO 2007 – C–BBB debt	0.35	CLO	Debt	Broadly syndicated loans	Lightpoint	USA	US15134UAA88	Credit Suisse
Octagon IP XI – D–BB debt	0.21	CLO	Debt	Broadly syndicated loans	Octagon Investment Partners	USA	USG67245AF09	Citigroup/GS
Leopard CLO BV – BB debt	0.19	CLO	Debt	Broadly syndicated loans	M&G Investment Management Ltd	Europe non-UK	XS0251752472	RBS
Black Diamond CLO Ltd 2005–2X E1	0.17	CLO	Debt	Broadly syndicated loans	Black Diamond Capital Management LLC	USA	XS0232465202	Bear Stearns

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

INVESTMENT MANAGER'S REPORT CONTINUED

TABLE 4 – LIST OF SYNTHETIC CORPORATE CREDIT HOLDINGS AS AT 31 JULY 2013

Issuer	% GAV	Main asset class	Sub-classification	Description of underlying asset	Manager/ Servicer	Principal geographical exposure	ISIN	Arranging institution
ARIA CDO III (tranche 0%–3%)	4.78	Synthetic Corporate Credit	Equity	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0375442307	JP Morgan
Jazz III CDO – AB – Junior AAA debt	4.20	Synthetic Corporate Credit	Debt	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	US47215CAB19	Merrill Lynch International
Bank Capital Opportunity Fund	2.17	Synthetic Corporate Credit	Bank Balance Sheet	Majority investment grade corporate credit	AXA Investment Managers Paris	Europe non-UK	LU0648070216	AXA IMP
Caravela3	2.02	Synthetic Corporate Credit	Bank Balance Sheet	SME loans	European Bank	Europe non-UK	XS0945192762	StormHarbour
Cadenza	1.84	Synthetic Corporate Credit	Debt	Majority investment grade corporate credit	AXA Investment Managers Paris	Europe non-UK	XS0672066908	UBS
Aquarius	1.55	Synthetic Corporate Credit	Bank Balance Sheet	Majority investment grade corporate credit	Major European Bank	USA	XS0870021366	Major European Bank
Jazz III CDO (Ireland) PLC	1.35	Synthetic Corporate Credit	Equity	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263617374/ XS0263615675	Merrill Lynch International
Dryden XVII – Junior AAA Debt	1.19	Synthetic Corporate Credit	Debt	Majority investment grade corporate credit	Prudential IM	USA	USG7546RAP40	UBS
Alpine-Taurus	1.03	Synthetic Corporate Credit	Bank Balance Sheet	Majority investment grade corporate credit	Major European Bank	Europe non-UK	XS0791159758	Major European Bank
Clock 2013	0.99	Synthetic Corporate Credit	Bank Balance Sheet	Majority investment grade corporate credit	Major European Bank	Europe non-UK	XS0908245037	Major European Bank
Corsair 06/30/2014	0.88	Synthetic Corporate Credit	Debt	Majority investment grade corporate credit	JP Morgan	USA	XS0280348573	JP Morgan
Jazz III CDO (Ireland) PLC CA – A debt	0.37	Synthetic Corporate Credit	Debt	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0262646697	Merrill Lynch International
Start 2010–6X A	0.16	Synthetic Corporate Credit	Debt	Majority investment grade corporate credit	Standard Chartered	USA	XS0562803758	Standard Chartered

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

3. INVESTMENT PORTFOLIO CONTINUED

DEBT TRANCHES OF CLOS

As at the end of the financial year, all 47 debt tranches of CLOs were paying their coupons.

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 at the end of the financial year, delayed payments are expected to be met in full for all the mezzanine tranches of CLOs. The average price of the 47 positions, at 86% of par at the end of the period (92% of par for US dollar assets, 81% of par for euro assets), despite a significant increase during the annual period, still does not reflect the most likely scenario that the vast majority of assets should meet their expected payments in due time. This level of pricing does not reflect either the probability to have some of these positions (mainly USD ones) called at par in the coming year or so instead of being repaid in five to seven years' time. In the financial year one USD position was called at par.

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

SYNTHETIC CORPORATE CREDIT DEALS

The Company invests in the equivalent of first loss or junior second loss investment exposures to diversified portfolios of investment grade and sub-investment grade CDS (predominantly CDS on corporate entities).

During the financial year under review the Company entered into three Synthetic Corporate Credit equity position (Aquarius, Caravela3 and Clock). These three positions are Bank Balance Sheet deals (structures that aim to benefit from the necessity for banks to save capital by selling credit exposures coming from their mainstream businesses).

As at 31 July 2013, the exposure to Synthetic Corporate Credits deals comprised thirteen investments representing 22.5% of the end-of-period GAV. Seven of these (ARIA III, BCOF, Caravela3, Aquarius, Jazz III EUR and USD residual positions, Alpine Taurus and Clock) are first loss positions in credit portfolios, whilst the others are senior or mezzanine debt tranches of corporate credit portfolios benefiting from subordination to potential defaults.

TABLE 5 – LIST OF CASH CORPORATE CREDIT TRANSACTIONS AS AT 31 JULY 2013

Issuer	% GAV	Main asset class	Sub-classification	Description of underlying asset	Manager/ Servicer	Principal geographical exposure	ISIN	Arranging institution
Tennenbaum Opportunities Fund V	3.35	Cash Corporate Credit	Equity (Fund)	High yield bonds and loans	Tennenbaum Capital Partners, LLC	USA	N/A	Wachovia Bank N.A.
ICE 1 Emerg CLO – A3–AA Debt	1.39	Cash Corporate Credit	Debt	Corporate emerging debt	ICE Canyon LLC	Other	USG4746PAD09	CitiGroup
Promise Mobility 2006–1	0.88	Cash Corporate Credit	Equity	German SME loans	IKB	Europe non-UK	DE000A0LDYP7	Deutsche Bank

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

More details are given regarding projected IRR on these assets in Section 4 of this report.

As illustrated overleaf, the two equity positions and five Bank Balance Sheet positions are first loss positions and their remaining principal as well as their coupons are sensitive to any future defaults[2].

The debt positions in the Synthetic Corporate Credit asset class 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[2].

[2] The paragraphs annotated above form an integral part of the financial statements. Please refer to Note 21.

CASH CORPORATE CREDIT TRANSACTIONS

There are three transactions in this bucket:

- ICE, an original AA tranche of a CDO of credit positions from emerging countries;
- Tennenbaum, a loan fund with low leverage. The investment manager, Tennenbaum, reduced the leverage of the fund before and during the financial crisis. They tend to manage 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; and
- Promise Mobility, a first loss position on a highly diversified portfolio (more than 1,000 positions according to the latest report) of loans made to German SMEs. This deal was impaired at the end of July 2011 considering the significant increase in defaults that occurred in June 2011 as well as the poor record in terms of recovery. Since then a second but more modest set of credit events occurred in June 2012 that affected the situation slightly. Volta sold one-third of the position in April 2013. Since its purchase, in December 2006, this asset paid cash flows representing 81% of the amount invested.

ABS

As at 31 July 2013, the Company had eight positions in this asset class: five residual income positions backed by UK non-conforming residential loans, one debt tranche of a UK non-conforming transaction (Resloc), a debt tranche of ABS CDOs (Pangaea) and a position in a US ABS fund (St Bernard).

The five UK non-conforming residual positions have seen their value revised upwardly during the previous financial year as they resumed paying cash flows and as it became more probable that such cash flows might last for a while. In aggregate, these five positions were valued at €13.4 million at the end of July 2013, whilst they generated €5.5 million of cash flows during the financial year. There is a possibility that further upward revisions in the value of these five assets could materialise in the coming periods considering the fact that cash flows received from these assets remain high relative to their current value and if it is confirmed that some market participants are able to purchase these assets or similar assets using more favourable assumptions than those used when valuing them. The cash flows from these assets are the result of monthly payments from mortgagers that have, on average, significant arrears of payments and real difficulties when having to make these payments. Hence cash flows received on these assets are highly sensitive to the economic situation of these non-conforming mortgagers, the UK monetary policy and to incentives from the UK government to favour indulgence from trustees regarding arrears of payments.

4. UNDERSTANDING THE GAV OF THE COMPANY

According to Volta's valuation policy, GAV is calculated using prices received by banks or brokers for assets representing 88% of Volta's GAV. The exceptions being: Promise Mobility and the UK non-conforming positions which are model-based using a discount rate of 12% (Promise) and 10% (UK non-conforming) on projected cash flows; and Tennenbaum, Bank Capital Opportunity Fund and St Bernard Opportunity Fund, each of which is a fund that is valued using the value of its underlying assets.

INVESTMENT MANAGER'S REPORT CONTINUED

TABLE 6 – LIST OF ABS HOLDINGS AS AT 31 JULY 2013

Issuer	% GAV	Main asset class	Sub-classification	Description of underlying asset	Manager/ Servicer	Principal geographical exposure	ISIN	Arranging institution
Alba 2007–1 plc	2.36	ABS	Residual	UK non-conforming RMBS	Oakwood	United Kingdom	XS0301709621	Credit Suisse
Alba 2006–2 plc	1.71	ABS	Residual	UK non-conforming RMBS	Oakwood	United Kingdom	XS0271780651	Credit Suisse
St Bernard Opportunity Fund	1.29	ABS	Debt (Fund)	US mortgages	AXA Investment Managers Paris	USA	QS0002021030	N/A
Pangaea 2007 – 1A–AAA debt	0.98	ABS	Debt	European ABS	Investec	Europe non-UK	XS0287257280	Bear Stearns
Eurosail 2006–1 PLC	0.85	ABS	Residual	UK non-conforming RMBS	SPML	United Kingdom	XS0254441081	Lehman Brothers
Alba 2006–1 plc	0.49	ABS	Residual	UK non-conforming RMBS	Oakwood	United Kingdom	XS0255043050	Credit Suisse
RLOC 2007–1X E2B–BB debt	0.21	ABS	Debt	UK non-conforming RMBS	GMAC	United Kingdom	XS0300477535	Morgan Stanley
Newgate Funding PLC 2006–2	0.00	ABS	Residual	UK non-conforming RMBS	Mortgage Plc	United Kingdom	XS0259286101	Merrill Lynch International

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

4. UNDERSTANDING THE GAV OF THE COMPANY CONTINUED

In order to give shareholders an understandable and comparable perspective regarding Volta's asset valuations, a grid of projected returns has been provided for Volta's assets where there are standard analytic tools that permit linking the prices to simple underlying assumptions (mainly the expected level of default and recovery of underlying assets). In line with market practice, 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 1.0 (standard scenario), 1.5 (stressed scenario) and 2.0 times (highly stressed scenario) to give shareholders an idea of how Volta's assets behave when considering defaults at a higher rate than the standard measure. Other assumptions included a constant prepayment rate of 15% for European loans, 20% for US loans 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% (WARF), 4.5% (1.5 x WARF) and 6% (2.0 x WARF). These three figures are greater than the average default rate for these deals during the recent years (including the 2008/2009 crisis).

Thus, for all Volta's assets, except Tennenbaum, Promise Mobility, the UK non-conforming residuals, St Bernard Opportunity Fund, Pangaea and ICE 1, it has been possible to generate projected cash flows and IRR (Internal Rate of Return considering end of July 2013 valuation and projected cash flows) under these scenarios using appropriate tools (for example, Intex for CLOs). These simulations concerned assets representing €195.3 million of assets (83% of Volta's assets excluding cash at the end of July 2013).

It should be noted when considering this table that the Company's CLO Debt tranches, Cash Corporate Credit deals and Synthetic

TABLE 7 – STANDARD PROJECTED IRR ON CLASSIC CORPORATE DEALS*

					Projected IRR		
Amount in euro	Par amount € million	Remaining principal € million	Mark-to-market value € million	Average price %	Standard scenario	Stressed scenario	Highly stressed scenario
Equity tranches of Corporate Synthetic	33.1	18.9	15.1	45.8%	46.5%	30.3%	15.1%
Bank Balance Sheet transactions**	17.7	17.7	19.2	108.1%	5.7%	3.0%	(0.7%)
Debt tranches of Corporate Synthetic	23.2	23.2	21.3	92.0%	7.7%	7.7%	7.7%
USD CLO Equity tranches	46.7	40.9	36.1	77.2%	12.2%	8.5%	3.6%
EUR CLO Equity tranches	9.0	4.3	4.0	44.0%	25.0%	18.9%	11.2%
USD Debt tranches of CLOs and Cash Corporate Credit	62.9	62.9	57.6	91.6%	7.4%	7.4%	7.4%
EUR Debt tranches of CLOs and Cash Corporate Credit	64.7	64.7	42.0	64.9%	11.6%	11.6%	11.8%
Total/average	257.3	232.6	195.3	75.9%	10.4%	9.2%	7.8%

* These simulations are for illustrative purposes only, 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.

** For Bank Balance Sheet transactions, due to the low WARF of many of these transactions, the Investment Manager does not expect the default pattern to occur on a linear basis. Thus, its base case IRR expectation can be much different than numbers expressed in this table.

Corporate Credit Debt deals were insensitive to the default scenarios proposed herein and are, however, priced with discount rates ranging from 8% to 20% from mezzanine debt of US CLO to mezzanine debt of Synthetic Corporate Credit deals, reflecting potential losses for very extreme scenarios.

It should also be noted that first loss tranches of Synthetic Corporate Credit are highly sensitive to the pace of default that is projected but this high sensitivity seems to be incorporated in the end-of-period prices.

The figures in table 7 highlight the difference between euro deals and US dollar deals, for example through the projected IRR on Equity or Debt tranches of CLOs. They are higher on euro deals relative to US dollar deals with a greater sensitivity to default for first loss euro deals. This difference in pricing reflects a greater uncertainty in Europe relative to the US to any projected path of cash flows, most probably in line with the eurozone economic difficulties.

According to such calculations, the GAV of Volta as at 31 July 2013 corresponds to an IRR close to 10.4% when considering the standard assumption that the ratings, and hence WARF, of a portfolio of corporate credit exposures appropriately reflect the probability of default.

Even if this average projected IRR has significantly declined over the recent years it could still be considered as attractive relative to classic credit market spreads or equity premium. The limited decrease in average projected IRR when applying stresses to the underlying portfolios worth being mentioned.

Section 4 of the Investment Manager's Report, including table 7, forms an integral part of the financial statements. Please refer to Notes 4 and 21.

INVESTMENT MANAGER'S REPORT CONTINUED

5. FOREIGN EXCHANGE HEDGE OF US DOLLAR INVESTMENTS

As outlined in previous reports, the Company faces the risk of being forced to sell assets to face margin calls on its foreign exchange hedge transactions if the US dollar was to appreciate significantly. In order to limit this risk the Company uses currency options to reduce the level of cash that could be called by its currency swap (and options) counterparties when the dollar appreciates and also to reduce the amount of dollars sold forward. This hedging strategy has been successful in helping the Company to avoid being forced to sell assets to meet increases in margin calls.

The Company's strategy creates a long USD exposure for Volta that can be monitored by shareholders on a monthly basis through the monthly report. As the EUR/USD cross rate has evolved without trend for several years now, to date this exposure has had no material cumulative effect on the NAV of the Company. A period of negative contribution such as the one experienced from July 2012 to July 2013 has previously followed periods of positive contribution, like the previous financial year.

During the period, the Company decided to protect its solvency further (limiting the risk of being a forced seller if the dollar was to strongly appreciate) and to accept additional volatility on the NAV variations due to this long US dollar position against euro.

This strategy 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.

The contracts used to apply this strategy are collateralised (a net balance of €0.2 million was posted by the Company to its counterparties at the end of July 2013) and are in place with two different counterparties (Citibank and Deutsche Bank) in order to minimise the counterparty risk incurred by the Company through these contracts.

As of the end of July 2013 the Company's US dollar assets (including cash) were valued at approximately $176 million, US dollar forward sales represented $67.5 million and US dollar call options (financed by selling out of the money US dollar put options) represented $62.5 million. Overall, taking into the account the delta on the options, Volta could be considered as having a $137 million long unhedged position.

The Company has maintained during the last three years a dual exposure to US assets and to European assets. Considering the difficulties faced by European governments to roll their debt, a specific risk exists for assets directly linked to the eurozone. This risk is partially hedged by the long US dollar exposure of the Company described above.

6. OUTLOOK

During the financial year, the Company pursued a diversification of its asset base through investments in transactions for which the main underlying exposure is corporate credit.

This strategy contributed to the continued receipt of a high level of interest and coupons on the Company's assets.

During several financial years, the Company paid dividends representing 10% of the NAV excluding cash, in connection with an average projected IRR on its assets that was above 12%. Now that the excess premium on structured finance assets seems to have been largely eradicated, the projected IRR on the current portfolio is between 10% and 11% and the projected IRR of the majority of recent investments was between 8.5% and 10.5%. Due to the zero interest rate policy pursued by central banks, the 10% to 14% projected IRR area that was available in the past for first loss pieces of structured finance assets when base rates were in the 4% to 6% area should become 8% to 11% for the coming years with base rates still at very low levels.

One way of improving the total return of Volta's floating rate debt assets could be to add some fixed rate sensitivity when interest rates appear to reasonably price in future increases in base rates. This was partially done in late June/early July in 2013 for USD floating rate assets and was previously partially done in early 2011 for euro floating rate assets.

TABLE 8 – PRINCIPAL AMOUNTS OF VOLTA'S ASSETS

	End of period principal amounts (€ million)				
	July 2011	January 2012	July 2012	January 2013	July 2013
Synthetic Corporate Credit Equity	26.2	23.3	18.9	21.4	18.9
Synthetic Corporate Credit Debt	14.2	23.4	24.3	22.9	23.2
Bank Balance Sheet transactions	—	5.0	7.0	10.7	17.7
CLO Equity	44.1	51.5	54.9	44.2	45.2
CLO Debt	87.1	94.0	106.9	111.6	123.8
Cash Corporate Credit equity	20.0	21.1	18.5	16.6	14.0
Cash Corporate Credit debt	3.5	3.8	4.1	3.7	3.8
ABS	5.0	4.8	10.7	9.9	18.4
Cash and derivative positions	8.1	3.8	3.9	6.5	11.4
Total principal (including cash)	208.2	230.7	249.2	247.5	276.4
Change before currency conversion impact	12.0	11.1	8.6	11.7	25.8
Effect of conversion into euro at end of period	(5.3)	11.4	9.9	(13.4)	3.1
Principal amount per share (euro)	**6.76**	**7.46**	**7.95**	**7.69**	**7.83**

Table 8 of the Investment Manager's Report forms an integral part of the financial statements. Please refer to Note 21.

Table 8 takes into account losses of principal amounts that could not be recouped for Cash or Synthetic Corporate Credit Equity and ABS; provided there is no loss expected on debt tranches (for all asset classes), debt tranches are accounted for at their principal amount; residual tranches of CLOs are accounted for at their remaining principal amount as described in Section 3; and US dollar principal amounts are translated to euro using the end-of-period cross rate.

Between July 2012 and July 2013, the Company was able to increase the principal amount of its assets by €27.2 million including the currency conversion impact (€10.3 million negative impact). This increase also includes the net amount of €16.0m capital raised in May 2013.

At the time of writing, our general view on the current economic situation is that some developments in the eurozone have reduced uncertainties for the coming quarters even if the imbalances that exist amongst countries that collectively form the eurozone have not been totally resolved. The economic situation of the US seems to be more stable (although the current discussion around the debt ceiling brings some uncertainties) and Volta will continue investing on both sides of the Atlantic, Europe carrying more fundamental risk but trading at deeper discount.

It should be noted that the deleveraging of banks should continue. It has been an important source of opportunities for Volta in the financial year under review and should continue being so for the coming period.

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 of Volta.

AXA INVESTMENT MANAGERS PARIS
18 OCTOBER 2013

BOARD OF DIRECTORS

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.

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 this, 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 of the Professional Risk Managers' International Association ("PRMIA"), since 2002.

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.

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

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Company registration number: 45747 (Guernsey, Channel Islands)

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Channel Islands

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Switzerland

DEPOSITARY AND ADMINISTRATOR OF THE LIQUIDITY ACCOUNT
Deutsche Bank AG, Amsterdam Branch
De Entrée 99-197
1101 HE Amsterdam
The Netherlands

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 July 2013.

INCORPORATION

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

ACTIVITIES

The Company is a closed-ended investment company with the objective of investing, amongst other asset classes, in the following main asset classes: CLO, Synthetic Corporate Credit, Cash Corporate Credit and ABS.

RESULTS AND DIVIDENDS

The International Financial Reporting Standards ("IFRS") net profit for the year amounted to €54.1 million.

The Directors consider recommendation of a dividend on a semi-annual basis. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008 (as amended).

The Directors recommend the payment of a final dividend for the year of €0.31 per share to those shareholders on the register on 9 December 2013.

LIQUIDITY ENHANCEMENT CONTRACT

Kepler Corporate Finance ("Kepler") has been appointed as Liquidity Provider to the Company. The Company funded the Liquidity Account with €250,000 and Kepler commenced liquidity operations during September 2012. The Liquidity Provider has been appointed to trade on behalf of the Company and for the Company's account and risk on the NYSE Euronext stock exchange in Amsterdam ("Euronext Amsterdam"), so as to facilitate the liquidity and regular trading (buying and selling) of the Company's shares, in order to promote and support the normal trade in such shares and to avoid trading price fluctuations that are not justified by market trends or solely due to the lack of regular trading. The Company pays Kepler a fee of €30,000 per annum for its services.

The Companies (Guernsey) Law, 2008 (as amended) prohibits the payment of dividends in respect of any shares held by a company as treasury shares. Consequently, in accordance with that law, no dividends will be paid by the Company on any shares held on the Liquidity Account.

As at 31 July 2013, 34,670 shares were held on the Liquidity Account at a cost of €185,021, which were valued at an aggregate amount of €209,407 as at that date. The value of any shares and any cash balance held on the Liquidity Account is included in the monthly GAV published by the Company. As at 31 July 2013, a cash balance of €64,979 was held on the Liquidity Account. Therefore the total value of the Liquidity Account as at that date was €274,386.

The value of any shares held on the Liquidity Account is excluded from the NAV of the Company as published in the Company's annual and interim reports in accordance with IFRS. Accordingly, the number of shares held on the Liquidity Account is excluded from the calculation of net assets per share and earnings per share as also published in the Company's annual and interim reports.

EXTRAORDINARY GENERAL MEETING HELD TO CONSIDER THE REVISED INVESTMENT MANAGER PERFORMANCE FEES AND MANAGEMENT FEES

An Extraordinary General Meeting ("EGM") of the Company was held at the Company's registered office on 3 July 2013 to consider proposals for a new basis for the calculation of Performance Fees and Management Fees payable to the Investment Manager. The EGM was unable to consider the proposed resolutions as a quorum of members was not present at such meeting either in person or by proxy. The meeting was therefore adjourned for seven days in accordance with the Company's Articles of Incorporation and was reconvened on 10 July 2013. The reconvened EGM was unable to consider the proposed resolutions as a quorum of members was not present at such meeting either in person or by proxy. The meeting was therefore adjourned for a further seven days in accordance with the Company's Articles of Incorporation and was reconvened again on 17 July 2013. The second reconvened EGM approved the proposals. Details of the revised basis of calculation of these fees are disclosed in Note 22 to the financial statements.

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

The AIFM Directive entered into force on 21 July 2011. European member states were required to implement the AIFM Directive into local member state law by 22 July 2013. The AIFMD seeks to regulate managers ("AIFMs") of alternative investment funds ("AIFs") that are marketed or managed in the EU. AIFs such as the Company may, subject to satisfying certain requirements, obtain authorisation as an internally managed AIF or appoint a third party fund manager, such as the Investment Manager, to act as its AIFM.

In order to obtain such authorisation and to be able to manage the AIF, the Company AIFM will need to comply with various obligations prescribed under the AIFMD. Although it is still too early to be definitive as to the precise impact of the AIFMD on the Company, it seems likely that the AIFMD will result in additional burdens being placed on the Investment Manager and/or the Company, which may create additional compliance costs for the Company.

The AIFMD will require the Investment Manager to seek authorisation under that directive to manage the Company if it is appointed as its AIFM and for Guernsey, as the country of establishment of the Company, to meet certain requirements. If the Investment Manager were to fail to, or to be unable to, obtain such authorisation or if Guernsey were not to meet such requirements, the Investment Manager may be unable to continue to provide investment management services to the Company or its ability to provide investment management services to the Company or market the Company's shares may be impaired.

REPORT OF THE DIRECTORS CONTINUED

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

Any regulatory changes arising from implementation of the AIFMD (or otherwise) that impair the ability of the Investment Manager to manage the investments of the Company, or limit the Company's ability to market future issuances of its shares, may adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective. EU member states may impose stricter rules on the AIFM in respect of the marketing of shares, as the Company is a non-EU AIF. However, there is currently no indication that any particular EU member state intends to impose significantly stricter rules.

AIFMs managing non-EU AIFs may need to comply with all provisions of the Directive from 21 July 2014 at the latest, including the requirement to appoint an independent depositary whose responsibility exceeds that of the existing Custodian.

The Board and the Company's advisors will continue to monitor the progress and likely implications of the AIFM Directive.

FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

It is currently anticipated that Guernsey will enter into an Intergovernmental Agreement ("IGA") with the US Treasury and the UK in order to comply with the US Foreign Account Tax Compliance Act ("FATCA") and that the Company will be regarded under such IGA as a Foreign Financial Institution ("FFI") resident in Guernsey. As such, it is currently anticipated that the Company will have certain requirements to register as a deemed compliant FFI. According to the current draft UK/US IGA guidance notes, there will be a reduction of reporting requirements for listed companies. However, it should be noted that the draft IGAs and related draft guidance notes may be subject to change prior to finalisation, which could potentially impact upon the Company and/or its shareholders. Non-compliance with FATCA could potentially expose the Company to a US withholding tax on all proceeds from its US investments at the rate of 30%.

GOING CONCERN

The Directors have considered the impact of the market conditions at the financial year end date and subsequently. During the financial year the fair values of the Company's assets have risen by a significant amount. The Company has no debt financing. The Company's current cash holdings and projected cash flows are sufficient to cover current liabilities and projected liabilities. The Directors are therefore of the opinion that the Company is a going concern and the financial statements have been prepared on this basis.

DIRECTORS

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

James Gilligan
Christian Jimenez
Joan Musselbrook
Paul Varotsis

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

	31 July 2013 Number of shares	31 July 2012 Number of shares
J Gilligan	**30,776**	21,646
C Jimenez	**108,426**	92,049
J Musselbrook	**108,997**	93,095
P Varotsis	**117,508**	100,797

ROTATION PROVISIONS

Mr Varotsis' and Mr Gilligan's current terms of office expire at the 2013 Annual General Meeting ("AGM"). Mr Jimenez's current term of office expires at the 2014 AGM. Ms Musselbrook's current term of office expires at the 2015 AGM.

In accordance with the rotation provisions set out in the Company's Memorandum and Articles of Incorporation, in the years in which the Chairman's and Directors' terms of office expire, the Chairman and each of the Directors may stand for re-election for a further three-year term until completion of nine years of service on the Board, after which each Director may stand for re-election on an annual basis.

On the recommendation of the Board, Mr Gilligan will be standing for re-election for a further three-year term and Mr Varotsis will be standing for re-election for a further two-year term at the forthcoming AGM scheduled to be held on 3 December 2013.

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 financial year 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 3 December 2013.

CHANGE OF COMPANY SECRETARY, ADMINISTRATOR AND REGISTRAR

The Sanne Group acquired State Street Corporation's Capital Markets and Corporate Administration business on 31 May 2013. Consequently, the Company Secretary, Administrator and Registrar changed from State Street (Guernsey) Limited to Sanne Group (Guernsey) Limited with effect from 1 June 2013.

COMPANY SECRETARY

The Company Secretary is Sanne Group (Guernsey) Limited of 3rd Floor, Natwest House, Le Truchot, St Peter Port, Guernsey GY1 1WD, Channel Islands.

By order of the Board

AUTHORISED SIGNATORY
SANNE GROUP (GUERNSEY) LIMITED
COMPANY SECRETARY
18 OCTOBER 2013

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 (the "UK Code" or the "Code"). Similarly, the Dutch Corporate Governance Code does not apply to the Company. On 30 September 2011, the Guernsey Financial Services Commission ("GFSC") issued a Code of Corporate Governance (the "GFSC Code"), which applies to the Company. The GFSC Code replaced the previous GFSC guidance, "Guidance on Corporate Governance in the Finance Sector". The GFSC Code provides a framework that applies to all entities licensed by the GFSC, or which are registered or authorised as a collective investment scheme under the Protection of Investors (Bailiwick of Guernsey) law, 1987. Any company, such as Volta, that voluntarily complies with the UK Code is deemed to also comply with the GFSC Code. The Directors have determined that the Company should continue to voluntarily apply the UK Code, with certain exceptions as detailed below. The UK Code was revised in September 2012, with such revisions applying to reporting periods commencing on or after 1 October 2012. The Company has not yet applied the September 2012 revisions to the UK Code, but will do so in its financial reporting for the reporting period commencing 1 August 2013.

STATEMENT OF HOW THE PRINCIPLES OF THE UK CODE ARE APPLIED

Throughout the financial year ended 31 July 2013 the Company has been in compliance with the provisions set out in the UK Code, except as already explained or as set out below:

- Sections A–C: The Company does not have Executive Directors or a Chief Executive Officer. Accordingly, provisions of the Code relating to Executive Directors and the Chief Executive Officer do not apply 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.
- Section B.1.1: The Company has established its own criteria for assessing the independence of the Board (as detailed below).

  Explanation: The Directors believe that these criteria are more appropriate to the Company's circumstances.
- Section C.3.5: The Company does 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 UK Code.

  Explanation: As a Guernsey domiciled company with a listing in Amsterdam, rather than a UK listed company, the Company follows 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 avoids potential 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.
- 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, it will not take into consideration other companies' remuneration policies when setting its own. The Company has a Remuneration Committee that consists of the Directors, which will submit any proposed increases in the Directors' remuneration, in excess of the amounts set out in the Company's Articles of Incorporation, to the Company's shareholders for approval.
- Section C.3.4: 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.

THE BOARD

The Board is responsible for the determination of the Company's investment objectives, investment guidelines and dividend policy and has overall responsibility for overseeing the Company's activities. 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 individual independence status of the Directors was last reviewed and confirmed by the Board on 18 October 2013.

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, but these are not currently available on the Company's website.

The Audit Committee comprises Mr Jimenez (Chairman), Mr Gilligan, 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 normally meets with the Auditors on each such occasion. In any event, the Audit Committee ensures that it meets with 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 Audit Committee considers the independence and objectivity of the Auditors and reviews any non-audit services that are to be provided by the Auditors. When the Auditor is engaged to perform non-audit work, the Audit Committee safeguards the Auditors' objectivity and independence by ensuring that the staff members who perform such work are separate from the staff members who perform the audit. Where it is considered to be necessary, this is achieved by engaging staff from a different office to that of the audit staff.

The Audit Committee receives and reviews the Company's financial statements and the reports of the Investment Manager and the Auditors. The Audit Committee focuses on ensuring that effective systems of internal financial and non-financial control are maintained and works closely with the Company's third-party service providers in this regard. As the Company's accounting functions are delegated to third parties, the Company does not have an internal audit function. The internal control environment of the Company is the product of control systems operated by its third-party service providers, together with oversight exercised by the Audit Committee. To satisfy itself as to the existence and efficacy of material controls affecting the Company, the Audit Committee has sought certain comfort and explanations from key third-party service providers. Other than the Interim Review completed at a fee of €51,500, a review of the potential impact of AIFMD on the Company at a cost of £25,875, an independent review of Performance Fee simulation work under various scenarios carried out by the Administrator at a fee of £13,500 and professional tax services provided at a fee of £6,900, no other non-audit services have been provided to the Company by the Auditors or its affiliates during the year.

CORPORATE GOVERNANCE REPORT CONTINUED

COMMITTEES OF THE BOARD CONTINUED

The Nomination Committee comprises Mr Gilligan (Chairman), Mr Jimenez, Ms Musselbrook and Mr Varotsis. Only Independent Directors will serve on the Nomination Committee. The Committee meets at least once 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.

Each of Mr Gilligan's and Mr Varotsis' current terms of office expires at the forthcoming AGM. At the Nomination Committee meeting held on 11 September 2013, Mr Gilligan confirmed that a formal performance evaluation had been conducted and concluded that Mr Varotsis continues to: have current and relevant expertise; effectively contribute to the Board; and demonstrate commitment to the Company's business. Mr Jimenez, as Senior Independent Director, confirmed that a formal performance evaluation had been conducted and concluded that Mr Gilligan continues to: have current and relevant expertise; effectively contribute to and encourage constructive discussions by the Board; positively add to the balance of skills of the Board; and demonstrate commitment to the Company's business. Accordingly the Nomination Committee recommended that the Board should propose each of Mr Varotsis and Mr Gilligan for re-election to the Board at the forthcoming AGM.

The Remuneration Committee comprises Mr Jimenez (Chairman), Mr Gilligan, Ms Musselbrook and Mr Varotsis. Only Independent Directors serve on the Remuneration Committee. The Committee meets at least once 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 11 September 2013 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 3 December 2013. This reduction will remain in place until the conclusion of the eighth 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 18 October 2013 the Committees and the Board resolved to re-elect Mr Gilligan, Mr Jimenez, Ms Musselbrook and Mr Varotsis to the Committees for a further three-year period.

ATTENDANCE

There were eight Board meetings held during the financial year ended 31 July 2013. The attendance record of each of the Directors was as follows:

	Number of attendances
J Gilligan	8
C Jimenez	8
J Musselbrook	8
P Varotsis	8

There were four Audit Committee meetings and two Remuneration and Nomination Committee meetings held during the financial year ended 31 July 2013. 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 11 September 2013. 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 by the Senior Independent Director. This performance review was last conducted on 11 September 2013. The Senior Independent Director's report found the performance of the Chairman over the review period to be excellent.

INVESTOR RELATIONS

Shareholders are able to contact the Company directly through its dedicated e-mail address or by correspondence sent to the Company Secretary or to the Investment Manager. As a consequence, the Board received appropriate updates from the Company Secretary and from the Investment Manager relative to such correspondence to keep it informed of shareholders' sentiment or analysts' views. The Company also holds periodic investor calls in which members of the Board participate and which the Board subsequently discusses at its Board meetings. The next investor call is due to be held on 18 November 2013.

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 11 September 2013 to continue the temporary 10% reduction to their remuneration. This temporary reduction will remain in place until the conclusion of the eighth 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 receives 30% of his or her Director's fee in respect of any year in the form of newly issued shares at a 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 financial year ended 31 July 2013 were as follows:

Director	Cash €	Shares €	Total €
J Gilligan	75,600	32,400	108,000
C Jimenez	75,600	32,400	108,000
J Musselbrook	69,300	29,700	99,000
P Varotsis	69,300	29,700	99,000
Total Directors' remuneration	289,800	124,200	414,000

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 €124,200, was issued as follows:

Director	Shares issued during the period	Shares issued after the period end	Total
J Gilligan	4,338	1,317	5,655
C Jimenez	4,562	1,098	5,660
J Musselbrook	4,034	1,098	5,132
P Varotsis	4,034	1,098	5,132
Total	16,968	4,611	21,579

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

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

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

JAMES GILLIGAN
CHAIRMAN
18 OCTOBER 2013

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.

The Companies (Guernsey) Law, 2008 (as amended) requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 (as amended). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

(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 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.

JAMES GILLIGAN
CHAIRMAN
18 OCTOBER 2013

CHRISTIAN JIMENEZ
SENIOR INDEPENDENT DIRECTOR

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 2013 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 (as amended). 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 auditors' 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 28, 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 2013 and of its results 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 (as amended).

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 (as amended) 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 A. DEMPSEY
FOR AND ON BEHALF OF KPMG CHANNEL ISLANDS LIMITED
CHARTERED ACCOUNTANTS AND RECOGNISED AUDITORS
ST PETER PORT, GUERNSEY
18 OCTOBER 2013

ADDENDUM TO AUDIT REPORT

- 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 review report since they were initially presented on the website.
- 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 2013

	Notes	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
OPERATING INCOME			
Income on available-for-sale securities – effective interest income and dividend income		**23,413,240**	22,251,579
Income on available-for-sale securities – recognition of revised cash flow estimates		**16,834,030**	6,064,940
Income on investments at fair value through profit or loss – effective interest income		**3,686,124**	3,254,240
Deposit interest income		**2,015**	11,943
Net foreign exchange loss on settlement of foreign exchange derivatives and retranslation of cash and cash equivalents		**(672,767)**	(1,110,132)
Net realised gain on available-for-sale securities and investments at fair value through profit or loss		**1,897,616**	1,002,345
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		**1,355,439**	256,975
Reversal of impairment recognised on available-for-sale debt securities	5	**15,422,784**	20,530,378
Impairment recognised on available-for-sale debt securities	5	**(671,679)**	(1,271,565)
Gain/(Loss) on revaluation of financial assets designated at fair value through profit or loss		**9,692,689**	(2,556,586)
Foreign exchange (loss)/gain on retranslation of available-for-sale securities and investments at fair value through profit or loss		**(7,545,097)**	11,142,869
Net gain/(loss) on revaluation of foreign exchange derivatives		**2,309,611**	(2,895,241)
Net gain on revaluation of other derivative positions		**186,794**	—
		65,910,799	56,681,745
OPERATING EXPENDITURE			
Legal fees		**(165,332)**	(85,298)
Audit and audit related fees		**(285,430)**	(240,000)
Investment Management Fees	22	**(2,589,916)**	(1,892,641)
Investment Manager Performance Fees	22	**(7,659,610)**	(2,897,357)
Custodian fees		**(29,101)**	(27,905)
Portfolio valuation and administration fees		**(77,660)**	(43,942)
Company secretarial, administration and accountancy fees	7	**(277,107)**	(304,512)
Directors' remuneration	8	**(426,441)**	(380,832)
Insurance		**(61,374)**	(53,964)
Other operating expenses		**(239,877)**	(186,004)
		(11,811,848)	(6,112,455)
OPERATING PROFIT FOR THE YEAR		**54,098,951**	50,569,290
EARNINGS PER SHARE			
Basic	10	**€1.6496**	€1.6282
Diluted	10	**€1.6496**	€1.6282
		Number of shares	Number of shares
Weighted average number of shares outstanding			
Basic	10	**32,795,207**	31,058,407
Diluted	10	**32,795,207**	31,058,407

The Notes on pages 35 to 61 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2013

	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
OPERATING PROFIT FOR THE YEAR	**54,098,951**	50,569,290
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified from other comprehensive income to profit or loss		
Net unrealised gain/(loss) on available-for-sale securities recognised in the year	**16,448,875**	(10,162,881)
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	**(1,355,439)**	(256,975)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**15,093,436**	(10,419,856)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**69,192,387**	40,149,434
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders	**69,192,387**	40,149,434

The Notes on pages 35 to 61 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2013

	Notes	**31 July 2013 €**	31 July 2012 €
ASSETS			
Available-for-sale securities	11	**201,182,353**	151,851,743
Financial assets at fair value through profit or loss	12	**32,060,764**	13,006,966
Open foreign exchange swaps and options	13	**1,623,337**	972,651
Trade and other receivables	14	**5,508,123**	5,132,642
Cash and cash equivalents	15	**9,737,841**	5,168,807
TOTAL ASSETS		**250,112,418**	176,132,809
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	**—**	—
Share premium	18	**28,437,336**	3,969,938
Warrants	19	**1,410,000**	1,410,000
Other distributable reserves	20	**213,087,057**	231,418,043
Net unrealised fair value movements on available-for-sale securities	20	**13,131,360**	(1,962,076)
Accumulated loss	20	**(9,770,531)**	(63,869,482)
TOTAL SHAREHOLDERS' EQUITY		**246,295,222**	170,966,423
LIABILITIES			
Current liabilities			
Trade and other payables	16	**3,817,196**	5,166,386
TOTAL EQUITY AND LIABILITIES		**250,112,418**	176,132,809
Net asset value per share outstanding			
Basic		**€6.9242**	€5.4502
Diluted		**€6.9242**	€5.4502

These financial statements on pages 30 to 61 were approved by the Board of Directors on 18 October 2013 and were signed on its behalf by:

JAMES GILLIGAN
CHAIRMAN

CHRISTIAN JIMENEZ
SENIOR INDEPENDENT DIRECTOR

The Notes on pages 35 to 61 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 JULY 2013

	Notes	Ordinary shares €	Share premium €	Warrants €	Other distributable reserves €	Accumulated loss €	Available-for-sale securities unrealised gains/(losses) €	Total €
Balance at 31 July 2011		—	2,066,515	1,410,000	245,071,649	(114,438,772)	8,457,780	142,567,172
Net unrealised loss on available-for-sale securities recognised in the year	20	—	—	—	—	—	(10,162,881)	(10,162,881)
Net realised gain on available-for-sale securities, previously recognised in equity in prior years as a net unrealised gain, transferred to the Income Statement	20	—	—	—	—	—	(256,975)	(256,975)
Total other comprehensive income for the year		—	—	—	—	—	(10,419,856)	(10,419,856)
Operating profit for the year	20	—	—	—	—	50,569,290	—	50,569,290
Total comprehensive income for the year		—	—	—	—	50,569,290	(10,419,856)	40,149,434
Issue of ordinary shares to Directors	17, 18	—	110,700	—	—	—	—	110,700
Issue of Class C shares	17, 18	—	533,610	—	—	—	—	533,610
Scrip dividend paid	17, 18, 20	—	1,259,113	—	(1,259,113)	—	—	—
Dividend paid	9, 20	—	—	—	(12,319,209)	—	—	(12,319,209)
Dividend payable	9, 20	—	—	—	(75,284)	—	—	(75,284)
Balance at 31 July 2012		—	3,969,938	1,410,000	231,418,043	(63,869,482)	(1,962,076)	170,966,423
Net unrealised gain on available-for-sale securities recognised in the year	20	—	—	—	—	—	16,448,875	16,448,875
Net realised gain on available-for-sale securities, previously recognised in equity in prior years as a net unrealised gain, transferred to the Income Statement	20	—	—	—	—	—	(1,355,439)	(1,355,439)
Total other comprehensive income for the year		—	—	—	—	—	15,093,436	15,093,436
Operating profit for the year	20	—	—	—	—	54,098,951	—	54,098,951
Total comprehensive income for the year		—	—	—	—	54,098,951	15,093,436	69,192,387
Issue of ordinary shares to Directors	17, 18	—	124,200	—	—	—	—	124,200
Issue of Class C shares	17, 18	—	5,439,379	—	—	—	—	5,439,379
Scrip dividend paid	17, 18, 20	—	3,058,966	—	(3,058,966)	—	—	—
Dividend paid	9, 20	—	—	—	(15,272,020)	—	—	(15,272,020)
Proceeds from issue of shares	17, 18	—	16,029,874	—	—	—	—	16,029,874
Acquisition of Treasury Shares	17, 18	—	(185,021)	—	—	—	—	(185,021)
Balance at 31 July 2013		**—**	**28,437,336**	**1,410,000**	**213,087,057**	**(9,770,531)**	**13,131,360**	**246,295,222**

The Notes on pages 35 to 61 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2013

	Notes	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
Cash flows generated from operating activities			
Operating profit for the year		**54,098,951**	50,569,290
Adjustments for:			
Income on available-for-sale securities – effective interest income and dividend income		**(23,413,240)**	(22,251,579)
Income on available-for-sale securities – recognition of revised cash flow estimates		**(16,834,030)**	(6,064,940)
Income on investments at fair value through profit or loss		**(3,686,124)**	(3,254,240)
Net (gain)/loss on revaluation of foreign exchange derivatives		**(2,496,405)**	2,895,241
(Gain)/Loss on revaluation of financial assets designated at fair value through profit or loss		**(9,692,689)**	2,556,586
Coupons received		**31,327,705**	29,473,197
Dividends received		**1,365,312**	1,185,088
Foreign exchange loss/(gain) on retranslation of available-for-sale securities and investments at fair value through profit or loss		**7,545,097**	(11,142,869)
Reversal of impairments recognised on available-for-sale debt securities		**(15,422,784)**	(20,530,378)
Impairments recognised on available-for-sale debt securities		**671,679**	1,271,565
Net realised gain on available-for-sale securities and investments at fair value through profit or loss		**(1,897,616)**	(1,002,345)
Net realised gain on available-for-sale securities, previously recognised in equity in prior years as a net unrealised gain, transferred to the Income Statement		**(1,355,439)**	(256,975)
Net foreign exchange loss/(gain) on retranslation of cash and cash equivalents and margin accounts		**514,133**	(531,281)
Increase in trade and other receivables		**(9,983)**	(4,350)
(Decrease)/Increase in trade and other payables		**(1,349,190)**	2,435,588
Directors' fees paid in the form of shares		**124,200**	110,700
Investment Manager's Performance Fee paid in the form of Class C shares		**5,439,379**	533,610
Cash generated from operating activities		**24,928,956**	25,991,908
Cash flows used in investing activities			
Net receipts/(payments) from/(to) margin accounts from foreign exchange derivative activities		**1,826,283**	(3,490,048)
Purchase of investments		**(46,459,684)**	(27,610,373)
Proceeds from sales and redemptions of investments		**24,195,342**	13,188,157
Net cash used in investing activities		**(20,438,059)**	(17,912,264)
Cash flows used in financing activities			
Proceeds from issue of shares		**16,029,874**	—
Acquisition of Treasury Shares		**(185,021)**	—
Dividends paid		**(15,272,020)**	(12,319,209)
Net cash used in financing activities		**572,833**	(12,319,209)
Net increase/(decrease) in cash and cash equivalents		**5,063,730**	(4,239,565)
Cash and cash equivalents at the beginning of the year		**5,168,807**	8,877,091
Effect of exchange rate fluctuations on cash and cash equivalents		**(494,696)**	531,281
Cash and cash equivalents at the end of the year	15	**9,737,841**	5,168,807

CASH GENERATED FROM OPERATIONS
Cash generated from operations for the year of €24,928,956 (2012: €25,991,908) includes the following interest receipts:

	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
Deposit interest	**2,015**	11,943

The Notes on pages 35 to 61 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

1. REPORTING ENTITY

The Company is a closed-ended limited liability company registered under the Companies (Guernsey) Law, 2008 (as amended) with registered number 45747. The Company's shares are listed on Euronext Amsterdam. The registered office of the Company is 3rd Floor, Natwest House, Le Truchot, St Peter Port, Guernsey GY1 1WD Channel Islands.

As at 31 July 2013 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 are described in the Company's Corporate Summary 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 Corporate Summary, 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 interim 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 EU 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 (as amended).

New accounting standards, amendments to existing accounting standards and/or interpretations of existing accounting standards (separately or together "New Accounting Requirements") adopted during the current year

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, except for the amendments to IAS 1 referred to below, there are no mandatory New Accounting Requirements applicable in the current period that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no other mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements that are not mandatory.

IAS 1 – "Presentation of Financial Statements" (amendments)

The main change resulting from these amendments that is relevant to the Company is a requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they may potentially be re-classified to profit or loss subsequently (re-classification adjustments). This amendment has been reflected in the Statement of Comprehensive Income. The amendments do not address which items are presented in OCI.

Non-mandatory New Accounting Requirements not yet adopted

The following applicable New Accounting Requirements have been issued. However, these New Accounting Requirements are not yet mandatory and have not yet been adopted by the Company. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

IFRS 9 – "Financial Instruments" (Replacement of IAS 39 – "Financial Instruments: Recognition and Measurement")

IFRS 9 is an incomplete standard that currently addresses the recognition, classification and measurement of financial assets and financial liabilities and may be adopted to replace the relevant parts of IAS 39. Those parts of IAS 39 that relate to impairment and hedge accounting have not yet been addressed by IFRS 9. It is the IASB's intention that IFRS 9 will ultimately replace IAS 39 in its entirety. The standard is mandatory for accounting periods commencing on or after 1 January 2015 but early adoption is permitted at any time prior to this date.

IFRS 9 requires financial assets to be classified into two measurement categories: (i) those measured at fair value; and (ii) those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the Income Statement, unless this creates an accounting mismatch. The standard also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

IFRS 13 – "Fair Value Measurement"

IFRS 13 was issued in May 2011 and aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

The standard is mandatory for accounting periods commencing on or after 1 January 2013 but early adoption is permitted at any time prior to this date. IFRS 13 also requires certain additional disclosures for financial instruments categorised within Level 3 of the fair value hierarchy.

In the Directors' opinion, early adoption of either or both of these standards would have no material effect on the reported performance or financial position of the Company. However, IFRS 9 will change the classification of the Company's financial assets, but it is not expected to have an impact on the measurement basis of such financial assets since the majority of the Company's financial assets are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

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

D) USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on 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:

- estimation uncertainty: Note 4 (Determination of fair values);
- estimation uncertainty and critical judgements in applying accounting policies: Note 5 (Provisions for impairment, recognition of reversals of impairment, recognition of revised cash flow estimates and the effect on the Distribution Income calculation); and
- estimation uncertainty and critical judgements in applying accounting policies: Note 21 (Financial risk management).

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

Foreign currency exchange differences arising on retranslation of monetary items are recognised in the Income Statement under the heading of: "Net foreign exchange loss on settlement of foreign exchange derivatives and retranslation of cash and cash equivalents"; "Net gain/(loss) on revaluation of foreign exchange derivatives"; or "Foreign exchange (loss)/gain on retranslation of available-for-sale securities and investments at fair value through profit or loss", as appropriate.

Non-monetary assets and liabilities denominated in foreign currencies are recognised at the exchange rate ruling on the relevant transaction date.

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

B) FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are initially recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of a given instrument. 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 below.

Cash and cash equivalents

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 either available-for-sale financial assets or financial assets at fair value through profit or loss. 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. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the Income Statement.

Other

Other non-derivative financial instruments, such as trade and other receivables and trade and other payables, 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 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 are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contracts are not carried at fair value with unrealised gains and losses reported in the Income Statement.

C) SHARE CAPITAL

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

The Company's ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction in equity, net of any tax effects. The initial set up costs of the Company and the expenses directly relating to its IPO were 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 financial assets 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 2013

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.

In assessing the impact of such loss events or changes in projected cash flows, the Board considers changes in the projected internal rate of return and total projected cash flows compared to the amounts determined at the time of purchase of these investments. Any movements in these metrics in excess of a certain threshold would trigger consideration by the Board for recognition of an impairment loss.

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.

Subsequent to recognition of impairment, effective income is measured at the rate used to measure the impairment, 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.

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.

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

In assessing the impact of changes in such risk conditions on projected cash flows, the Board considers changes in the projected internal rate of return and total projected cash flows compared to the amounts determined at the time of purchase of these investments together with consideration of actual cumulative cash flows received to date compared to the originally projected cumulative cash flows as at such date. Any movements in these metrics in excess of a certain threshold would trigger consideration by the Board for recognition of revised cash flow estimates.

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 is recognised immediately within the Income Statement under the heading of "Income on available-for-sale securities – recognition of revised cash flow estimates". 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.

G) INCOME AND EXPENSES

Income comprises interest income on funds invested, including recognition of revised cash flow estimates on available-for-sale financial assets, dividend income, realised gains on disposal of financial assets, positive changes in the fair value of financial assets at fair value through profit or loss, reversals of impairment losses recognised on financial assets and foreign exchange retranslation gains.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

G) INCOME AND EXPENSES CONTINUED

Effective 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 projected internal rate of return ("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.

Expenses comprise realised losses on disposal of financial assets, negative changes in the fair value of financial assets held at fair value through profit or loss, impairment losses recognised on financial assets, foreign exchange retranslation losses and operating expenses.

Foreign exchange gains and losses are reported in the Income Statement on a net basis. 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 (as amended) 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 (as amended).

K) DISTRIBUTION INCOME

The Company's definition of Distribution Income, together with the calculation of Distribution Income for the year and a description of the objective of such calculation may be found on pages 62 to 66.

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 a 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.

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 average closing share price for the 60 Euronext Amsterdam trading days 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, dependent 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 Performance Fee of 25% of the Distribution Income in excess of the hurdle amount. If any Performance 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.

O) TREASURY SHARES

Where the Company purchases its own share capital (whether into treasury or for cancellation), the consideration paid, which includes any directly attributable costs (net of taxation, if any) is recognised as a deduction from equity shareholders' funds through the share premium account.

When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs (net of taxation, if any) is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from the share premium account.

Shares held in treasury are not taken into account in determining NAV per share or earnings per share.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

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. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

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, for liquid assets, 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 by reference to the market values of liquid underlying assets, the arranging bank, or another market participant, generally provides the valuation of the investment position using the mark-to-market valuations of the underlying assets (minus, where applicable, the investment's internal funding or other liabilities).

In the absence of an active market for an investment, a mark-to-model approach has been adopted by the Investment Manager, which may be sourced from the arranging bank, or another market participant, or developed internally, to determine the valuation. Such pricing models generally involve a number of valuation assumptions, many of which are based on subjective judgements. Key model inputs include: asset spreads; expected defaults; expected recovery rates; and the price of uncertainty or liquidity through the interest rate at which expected cash flows are discounted. These inputs are derived by reference to a variety of market sources. The method of valuation depends on the nature of the asset.

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

Where a financial asset does not involve an arranging bank, or another market participant that is willing to provide valuations on a monthly basis, or if an arranging bank is unwilling to provide valuations, the Investment Manager will provide a monthly valuation based on a pricing model and/or comparable asset prices.

Third parties have reviewed the valuations and/or valuation assumptions as at 31 July 2013 and have concluded that they were fair and reasonable. In the event that a third party were to challenge the Investment Manager's valuations, 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 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 following key model inputs: default rates, 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 discount 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 using the mark-to-model approach as described above.

In accordance with Volta's valuation policy, GAV and NAV are calculated using prices received from arranging banks or brokers for all but a few assets representing 15.8% of Volta's NAV. The exceptions being: Promise Mobility (0.9% of Volta's NAV), which is model-based using a discount rate of 12% on projected cash flows; Tennenbaum (3.4% of Volta's NAV), Bank Capital Opportunity Fund (2.2% of Volta's NAV), St. Bernard Opportunity Fund (Series 3) (0.4% of Volta's NAV), each of which is a fund that is valued using the net asset value as provided by the fund manager and used in good faith by the Directors; St. Bernard Opportunity Fund (Series 4) (0.9% of Volta's NAV), a fund that will also be valued using the net asset value as provided by the fund manager, but which is valued at cost as at 31 July 2013 since it was purchased only in July 2013, the UK non-conforming residual positions (5.5% of Volta's NAV), which are valued at their projected cash flows until 31 July 2018, after which it is considered that any projected cash flows are too uncertain to be taken into account in the valuation, using a discount rate of 10%; and Jazz III Subordinated Notes (2.5% of Volta's NAV), which are valued on a mark-to-model basis, as further discussed in Note 6.

For the majority of investments targeted by the Company, the secondary trading market may sometimes become illiquid. As a result, at such times there may be no regularly reported market prices for these investments. In addition, there may not be an agreed industry standard methodology for valuing the investments (e.g. in the case of residual income positions of asset-backed securitisations).

Additional disclosures on fair value estimation, including assumptions applied in determining fair value where available, are presented in Section 4, including table 7, of the Investment Manager's Report.

5. PROVISIONS FOR IMPAIRMENT, RECOGNITION OF REVERSALS OF IMPAIRMENT, RECOGNITION OF REVISED CASH FLOW ESTIMATES AND THE EFFECT ON THE DISTRIBUTION INCOME CALCULATION

AVAILABLE-FOR-SALE DEBT SECURITIES

Recognition of reversal of impairment and impairment

No new impairments were recognised during the year. The aggregate net reversal of impairment of €14,751,105 relates to impairment adjustments on previously impaired assets.

During the year, the prices of assets rated CCC or below generally increased, the number of assets rated CCC or below within underlying portfolios generally decreased and there were few occurrences of default at the underlying portfolio levels. These facts, confirmed by significant increases in the fair values of the majority of the Company's investments in Subordinated Notes of CLOs, caused the Company to recognise such increases in value of the previously impaired assets as reversals of impairment, as required by IAS 39. Also during the year, the fair values of some of the UK non-conforming residual positions held by the Company increased significantly, mainly due to unexpected payments of arrears at the underlying mortgage pool level. As required by IAS 39, the Company recognised the increases in value of these residual positions previously impaired as reversals of impairment.

The table below details the amount of net reversal of impairments recognised during the year:

	Year ended 31 July 2013 €	Year ended 31 July 2012 €
LightPoint Pan-European CLO 2006 plc	**1,531,579**	(1,026,823)
Alba 2006-1 plc	**1,005,354**	1,202,585
Alba 2006-2 plc	**4,343,048**	2,739,391
Eurosail 2006-1 PLC	**2,833,698**	637,858
Newgate Funding PLC 2006-2	**—**	(21)
Promise Mobility 2006-1	**(671,679)**	173,387
Alba 2007-1 plc	**4,898,578**	5,246,356
Oak Hill Europe Credit Partners II plc	**416,979**	23,156
Alpstar CLO 2 PLC – E BB debt	**393,548**	(244,720)
Carlyle HY Part IX	**—**	2,092,045
	14,751,105	19,258,813

As at 31 July 2013, the following assets remained impaired (the fair value includes accrued effective income as at that date):

	31 July 2013 Cumulative impairment €	**31 July 2013 Fair value €**
Alba 2006-1 plc	**(3,040,710)**	**1,216,496**
Alba 2006-2 plc	**(3,693,805)**	**4,216,979**
Eurosail 2006-1 PLC	**(4,280,178)**	**2,108,241**
Newgate Funding PLC 2006-2	**(6,795,689)**	**114**
Promise Mobility 2006-1	**(6,007,045)**	**2,172,499**
Alba 2007-1 plc	**(54,295)**	**5,832,504**
Oak Hill Europe Credit Partners II plc	**(379,739)**	**1,650,000**
	(24,251,461)	**17,196,833**

Interest income on available-for-sale securities that remained impaired as at the end of the financial year amounted to €1,673,816 (year ended 31 July 2012: €1,914,538).

As at 31 July 2012, the following assets remained impaired (the fair value includes accrued effective income as at that date):

	31 July 2012 Cumulative impairment €	31 July 2012 Fair value €
LightPoint Pan-European CLO 2006 plc	(1,531,579)	1,320,000
Alba 2006-1 plc	(4,046,064)	800,512
Alba 2006-2 plc	(8,036,852)	1,384,958
Eurosail 2006-1 PLC	(7,113,876)	218,456
Newgate Funding PLC 2006-2	(6,795,689)	125
Promise Mobility 2006-1	(5,335,366)	4,339,645
Alba 2007-1 plc	(4,952,874)	3,070,248
Oak Hill Europe Credit Partners II plc	(796,718)	1,414,875
Alpstar CLO 2 PLC	(393,548)	857,391
	(39,002,566)	13,406,210

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

5. PROVISIONS FOR IMPAIRMENT, RECOGNITION OF REVERSALS OF IMPAIRMENT, RECOGNITION OF REVISED CASH FLOW ESTIMATES AND THE EFFECT ON THE DISTRIBUTION INCOME CALCULATION CONTINUED

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

The Board reviews the projected cash flows from the Company's available-for-sale debt securities on a semi-annual basis. If the projected cumulative cash flows on any asset are significantly different from those projected on purchase of such an asset, the Board will consider the evidence supporting the revised cash flow estimates and will assess whether or not such revised cash flow estimates should be recognised in the Company's financial statements.

During the financial year, the number of defaults stayed at very low level for most of the CLO positions held by the Company and the nature of the underlying portfolios improved through the actions of portfolio managers and/or thanks to rating agencies' upgrades at the underlying loan level. As a consequence, actual cash flows received during the year have exceeded previous projections, causing the Company to upwardly revise the expected future cash flows on several of its holdings in Subordinated Notes of CLOs, resulting in revised projected aggregate cumulative IRRs on such assets.

As at 31 July 2013, the revised projected aggregate cumulative cash flows on the Company's investment in Subordinated Notes issued by Northwoods Capital VIII Limited, as measured by the revised projected aggregate cumulative IRRs on this asset, were estimated to be significantly in excess of the original projected aggregate cumulative IRRs. The Board determined that the evidence supporting the revised cash flow estimates was sufficiently strong to justify recognition of such revised cash flow estimates in the Company's financial statements. The recognition of revised cash flow estimates on this available-for-sale debt security positively affected the Income Statement of the Company by €3.0 million. These revised cash flow estimates were recognised in addition to the €13.8 million positive revision recognised as at 31 January 2012 on the Company's investments in Subordinated Notes issued by Jazz III CDO (EUR and USD), Sands Point Funding Ltd, Wasatch CLO Ltd, Battalion CLO Ltd, Goldentree Loan Opportunities IV and Prelude Credit Alpha plc. The aggregate amount of €16.8 million (2012: €6.1 million) is presented within income on available-for-sale securities in the Income Statement.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Under IFRS, a 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 impairments of the Company's investments classified as "financial assets at fair value through profit or loss" are required to be recognised in the Income Statement.

EFFECT ON THE DISTRIBUTION INCOME CALCULATION

Revisions to the expected cash flows from seven CLO Equity positions (Jazz III CDO EUR, Jazz III CDO USD, Sands Point Funding Ltd, Wasatch CLO Ltd, Battalion CLO Ltd, Goldentree Loan Opportunities IV and Prelude Credit Alpha plc) positively affected the Distribution Income by €10.6 million as at 31 January 2013. Revised expected cash flows were recognised on an additional CLO Equity position (Northwoods Capital VIII Limited) as at 31 July 2013, positively affecting the Distribution Income by €1.8 million.

Cash flows received during the year from four of the five UK non-conforming assets previously impaired, together with upward revaluations thereon, positively affected the Distribution Income for the year by €12.7 million. Upward revisions to the estimated expected cash flows from Aria III, together with coupons received thereon, resulted in an aggregate reversal of the impairment previously recognised for the purpose of establishing the Distribution Income of €7.9 million. Further net impairments for the purpose of establishing the Distribution Income totalling €1.2 million were recognised during the year on the other assets that were impaired for Distribution Income purposes.

6. OPERATING SEGMENTS

The Board is charged with setting the Company's investment strategy. The Board has delegated the day-to-day implementation of this strategy to its Investment Manager but retains 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 in accordance with its mandate, which cannot be radically changed without the approval of the Board and the shareholders. Accordingly, the Board is deemed to be the "Chief Operating Decision Maker" as defined under IFRS 8 – "Operating Segments". The Board is of the view that the Company is engaged in a single segment of business, being investment in a diversified portfolio of collateralised debt obligations, asset-backed securities, Corporate Credits and other equity instruments.

6. OPERATING SEGMENTS 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, adjusted for any amounts due to/from brokers and revaluation of any open derivative positions but excludes the Company's liabilities. This GAV is published monthly by the Company. The table below shows a reconciliation between the measure of GAV used by the Board and that contained in the financial statements:

	31 July 2013 €
Published GAV as at 31 July 2013	247,101,931
Adjustments:	
– valuation adjustment to investment in Jazz III Subordinated Notes	2,774,190
– RBSI cash accounts	28,647
– RBSI security deposit	7,252
– coupons receivable prior to the period end received after the period end	367,683
– insurance prepayments	27,354
– Liquidity Account fee prepayment	14,767
– market value of shares held on the Liquidity Account	(209,406)
GAV as per Statement of Financial Position at 31 July 2013	**250,112,418**

The 31 July 2013 GAV, published on 23 August 2013, was understated by €2,774,190 due to the price received on the Company's investments in Jazz III Subordinated Notes. At the end of July 2013 and since purchase, the price used for the GAV was provided by the arranging bank of Jazz III. Further investigations, conducted in September 2013, led to the conclusion that such price significantly underestimated the value of these positions at the end of July. For future monthly reports, until the maturity of Jazz III in 2014, the Investment Manager will adopt a mark-to-model approach to fairly value these positions. The fair value of the Company's investments in Jazz III Subordinated Notes, as of the end of July 2013, has been adjusted in these financial statements.

The published GAV does not include:

- cash held at RBSI, as this cash is primarily held to cover expenses payable;
- coupons receivable prior to the period end received after the period end. As at 31 July 2013 the following coupon was not recognised in the Company's GAV: a coupon due on Lightpoint Pan-European of €367,683;
- adjustments for prepaid expenses.

The Company's assets held as at the period end and income recognised from investments during the period per geographical areas in which the Company is invested are presented in the table below:

	31 July 2013		31 July 2012	
	Assets held* **%**	**Income recognised** **€**	Assets held* %	Income recognised €
UK	**5.55**	**718,507**	3.16	311,716
USA	**56.08**	**33,573,180**	64.31	23,650,843
Europe (excluding UK)	**32.43**	**9,369,515**	27.08	7,316,752
Emerging markets	**1.37**	**272,192**	3.18	291,448
Total	**95.43**	**43,933,394**	97.73	31,570,759

* Assets held are shown as a percentage of GAV.

The Company is domiciled in Guernsey. However, none of the Company's investments are domiciled in Guernsey. Consequently no investment income is derived from Guernsey sources.

The Company does not hold any non-current assets other than financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

6. OPERATING SEGMENTS CONTINUED

Volta's effective income recognised on each asset class according to the Company's classification of its investments for investor reporting purposes is presented in the table below:

	31 July 2013 €	31 July 2012 €
USD CLO Equity	**16,759,481**	12,239,470
USD CLO Debt	**5,544,488**	4,635,206
EUR CLO Equity	**1,319,619**	590,950
EUR CLO Debt	**5,953,243**	5,353,724
CLO total	**29,576,831**	22,819,350
Synthetic Corporate Credit Equity	**7,210,207**	3,262,718
Synthetic Corporate Credit Debt	**3,130,954**	2,808,624
Synthetic Corporate Credit – Bank Balance Sheet transactions	**798,705**	37,067
Synthetic Corporate Credit total	**11,139,866**	6,108,409
Cash Corporate Credit Equity	**1,816,858**	2,039,837
Cash Corporate Credit Debt	**272,192**	291,447
Cash Corporate Credit total	**2,089,050**	2,331,284
ABS – Mortgage Residual positions	**704,064**	311,716
ABS Debt	**423,583**	—
ABS total	**1,127,647**	311,716
Total effective income	**43,933,394**	31,570,759

7. COMPANY SECRETARIAL, ADMINISTRATION AND ACCOUNTANCY FEES

Sanne (Guernsey) Limited ("SGL") acts as Company Secretary, Administrator and Registrar. Company secretarial, administration and accountancy fees are incurred and billed on a time cost basis in accordance with SGL'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. The amount charged to the Company under the terms of this agreement during the financial year was €277,107 (2012: €304,512). This amount includes €16,003 relating to fees payable to SGL for additional work outside the scope of the Administration, Registrar and Secretarial Agreement, specifically work carried out to assist the Board to review and assess the revised Investment Manager's Performance Fee and Management Fee calculation basis.

8. DIRECTORS' REMUNERATION

	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
Directors' fees (cash element)	**289,800**	258,300
Directors' fees (equity element, settled during the year)	**95,850**	82,350
Directors' fees (equity element, settled after the year end)	**28,350**	28,350
Directors' expenses	**12,441**	11,832
	426,441	380,832

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 period ended 31 July 2013 and during prior periods:

	Dividend per share €
Dividend for the semi-annual period ended 31 July 2013 (proposed)	**0.31**
Dividend for the semi-annual period ended 31 January 2013 (paid 24 April 2013)	0.31
Dividend for the semi-annual period ended 31 July 2012 (paid 28 December 2012)	0.26
Dividend for the semi-annual period ended 31 January 2012 (paid 19 April 2012)	0.22

10. EARNINGS PER SHARE ("EPS")/NAV PER SHARE

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

	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
Profit for the purposes of basic EPS being net profit attributable to equity holders	**54,098,951**	50,569,290

	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**32,795,207**	31,058,407
Dilutive effect of ordinary shares subject to warrants	**—**	—
Warrants (exercisable at €10 per share)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**32,795,207**	31,058,407

The average market price, based on closing prices quoted on Euronext Amsterdam, for one ordinary share during the year ended 31 July 2013 was €5.77 (2012: €3.58).

The calculation of the basic and diluted net asset value per share is based on the net asset value of the Company less the amount of capital recognised for the portion of the performance fee payable at year end to be settled in Class C shares to be issued subsequent to year end, amounting to €1,983,835.

11. AVAILABLE-FOR-SALE SECURITIES

31 July 2013	Amortised cost €	Unrealised gains/(losses) €	Fair value €
Available-for-sale debt securities			
USD CLO Equity	**33,078,580**	**2,448,168**	**35,526,748**
USD CLO Debt	**46,467,698**	**7,160,849**	**53,628,547**
EUR CLO Equity	**4,521,825**	**(697,182)**	**3,824,643**
EUR CLO Debt	**47,497,958**	**3,161,757**	**50,659,715**
CLO total	**131,566,061**	**12,073,592**	**143,639,653**
Synthetic Corporate Credit Equity	**7,789,582**	**(2,206,292)**	**5,583,290**
Synthetic Corporate Credit Debt	**13,068,817**	**420,605**	**13,489,422**
Synthetic Corporate Credit total	**20,858,399**	**(1,785,687)**	**19,072,712**
Cash Corporate Credit Equity	**2,120,130**	**—**	**2,120,130**
Cash Corporate Credit Debt	**2,715,406**	**588,287**	**3,303,693**
Cash Corporate Credit total	**4,835,536**	**588,287**	**5,423,823**
ABS – Mortgage Residual positions	**13,313,927**	**—**	**13,313,927**
ABS Debt	**3,625,777**	**(727,062)**	**2,898,715**
ABS total	**16,939,704**	**(727,062)**	**16,212,642**
Available-for-sale debt securities total	**174,199,700**	**10,149,130**	**184,348,830**
Available-for-sale equity securities			
Cash Corporate Credit Equity	**5,838,493**	**2,440,806**	**8,279,299**
Synthetic Corporate Credit – Bank Balance Sheet transactions	**5,000,000**	**360,500**	**5,360,500**
ABS Debt	**3,012,800**	**180,924**	**3,193,724**
Available-for-sale equity securities total	**13,851,293**	**2,982,230**	**16,833,523**
Total available-for-sale securities	**188,050,993**	**13,131,360**	**201,182,353**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

11. AVAILABLE-FOR-SALE SECURITIES CONTINUED

31 July 2012	Amortised cost €	Unrealised gains/(losses) €	Fair value €
Available-for-sale debt securities			
USD CLO Equity	33,690,628	2,468,986	36,159,614
USD CLO Debt	40,805,795	1,360,194	42,165,989
EUR CLO Equity	2,734,875	—	2,734,875
EUR CLO Debt	31,494,055	(5,440,641)	26,053,414
CLO total	108,725,353	(1,611,461)	107,113,892
Synthetic Corporate Credit Equity	5,374,639	(3,511,019)	1,863,620
Synthetic Corporate Credit Debt	12,028,989	592,837	12,621,826
Synthetic Corporate Credit total	17,403,628	(2,918,182)	14,485,446
Cash Corporate Credit Equity	4,339,645	—	4,339,645
Cash Corporate Credit Debt	2,707,314	319,179	3,026,493
Cash Corporate Credit total	7,046,959	319,179	7,366,138
ABS – Mortgage Residual positions	5,474,301	—	5,474,301
ABS Debt	3,052,041	(772,055)	2,279,986
ABS total	8,526,342	(772,055)	7,754,287
Available-for-sale debt securities total	141,702,282	(4,982,519)	136,719,763
Available-for-sale equity securities			
Cash Corporate Credit Equity	6,298,937	2,924,943	9,223,880
Synthetic Corporate Credit – Bank Balance Sheet transactions	5,000,000	95,500	5,095,500
ABS Debt	812,600	—	812,600
Available-for-sale equity securities total	12,111,537	3,020,443	15,131,980
Total available-for-sale securities	153,813,819	(1,962,076)	151,851,743

Amortised cost is calculated after deduction of impairment losses 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.

	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
Fair value brought forward	**13,006,966**	6,203,728
Purchases	**11,243,463**	9,871,388
Coupons receivable	**(2,447,751)**	(2,364,367)
Interest income recognised	**3,686,124**	3,254,240
Sale and redemption proceeds received	**(2,891,596)**	(1,597,732)
(Losses)/gain on (partial redemptions)/sale	**(6,056)**	30,269
Foreign exchange retranslation	**(223,075)**	166,026
Unrealised movement in fair value	**9,692,689**	(2,556,586)
Fair value carried forward	**32,060,764**	13,006,966

13. OPEN FOREIGN EXCHANGE SWAPS, OPTIONS AND OTHER DERIVATIVES

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.

The margin account balance is offset against open foreign exchange swaps and options. As at 31 July 2013, the margin account balance paid to the counterparty (Citigroup) by the Company amounted to €230,048 (2012: €2,490,049 received from the counterparty by the Company).

Towards the end of June 2013, the Investment Manager opened a derivative position on US Treasury Notes through the sale of put options thereon. Overall, taking into account the delta on the options, Volta could have been considered to have a long position on US Treasury Notes equivalent to approximately USD 15 million. As at 31 July 2013, the margin account balance paid to the counterparty (Goldman Sachs) by the Company amounted to USD 550,000.

14. TRADE AND OTHER RECEIVABLES

	31 July 2013 €	31 July 2012 €
Prepayments	**42,121**	31,312
Accrued income receivable	**5,458,750**	5,093,252
Security deposit	**7,252**	8,078
	5,508,123	5,132,642

15. CASH AND CASH EQUIVALENTS

	31 July 2013 €	31 July 2012 €
Deposit accounts	**9,737,841**	5,168,807

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 2013 €	31 July 2012 €
Investment Management Fees	**1,397,210**	904,894
Investment Manager Performance Fees	**1,983,836**	3,752,758
Dividends payable	**—**	75,284
Directors' fees (cash payable)	**66,150**	66,150
Directors' fees (shares payable)	**28,350**	28,350
Accrued expenses and other payables	**341,650**	338,950
	3,817,196	5,166,386

17. SHARE CAPITAL

AUTHORISED

	31 July 2013 Number of shares	31 July 2012 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 ordinary 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 and Class C shares taken together), the Class B share shall be converted to an ordinary share.

The Class C shares are non-voting shares but in all other respects have the same rights and entitlements as the ordinary shares. The Investment Manager has agreed with the Company in the Investment Management Agreement that it will retain any Class C shares issued to it for a period of at least two years from the date of issuance of such shares. If sold to a party unaffiliated with the Investment Manager, the Class C shares will be convertible into ordinary shares.

As stated in the Report of the Directors, the Companies (Guernsey) Law, 2008 (as amended) prohibits the payment of dividends in respect of any shares held by a company as treasury shares. Consequently, in accordance with that law, no dividends will be paid by the Company on any shares held on the Liquidity Account.

The Company's Liquidity Account is operated by Kepler Corporate Finance with the objective to improve the liquidity in the trading of the Company's shares. As at 31 July 2013, the Company held 34,670 shares on its Liquidity Account as treasury shares.

Except for those shares that may be held on the Liquidity Account, 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 and the solvency test as required by the Companies (Guernsey) Law, 2008 (as amended). 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 2013

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 2011	30,794,178	1	—	3,000,000
Issued to Directors during the year	30,941	—	—	—
Scrip dividends paid	403,700	—	—	—
Class C shares issued	—	—	139,914	—
Balance at 31 July 2012	31,228,819	1	139,914	3,000,000
Private placement of newly issued shares	2,628,280	—	—	—
Issued to Directors during the year	24,163	—	—	—
Scrip dividends paid	565,925	—	—	—
Class C shares issued	—	—	731,243	—
Balance at 31 July 2013	**34,447,187**	**1**	**871,157**	**3,000,000**

The IPO of ordinary shares on 20 December 2006 was priced at €10 per share. A total of 400,958 shares have subsequently been issued to the Directors on a quarterly basis in respect of 30% of their fees. During the financial year, shares were issued as follows: ordinary shares were issued to the Directors in respect of such fees at the following prices per share: €3.94; €5.11; €5.72; and €6.06; Class C shares were issued to the Investment Manager in settlement of 50% of the Investment Manager's Performance Fee payable as follows: 408,521 shares at €3.94 per share and 322,722 shares at €5.72 per share; scrip dividends were paid whereby 397,583 shares were issued at €5.20 per share; and 168,342 shares were issued at €5.89 per share. In addition, in May 2013, 2,628,280 ordinary shares were issued via a private placement at €6.18 per share.

Treasury shares acquired/sold during the year:

	1 August 2012 to 31 July 2013 €	1 August 2011 to 31 July 2012 €
Balance brought forward	**—**	—
Net treasury shares acquired during the year	**34,670**	—
Balance carried forward	**34,670**	—

18. SHARE PREMIUM ACCOUNT

	Ordinary €	B share €	C shares €	Total €
Balance at 31 July 2011	2,066,515	—	—	2,066,515
Issued to Directors during the year	110,700	—	—	110,700
Scrip dividends paid	1,259,113	—	—	1,259,113
Class C shares issued	—	—	533,610	533,610
Balance at 31 July 2012	3,436,328	—	533,610	3,969,938
Private placement of newly issued shares	16,029,874	—	—	16,029,874
Issued to Directors during the year	124,200	—	—	124,200
Scrip dividends paid	3,058,966	—	—	3,058,966
Class C shares issued	—	—	5,439,379	5,439,379
Treasury shares acquired	(185,021)	—	—	(185,021)
Balance at 31 July 2013	**22,464,347**	**—**	**5,972,989**	**28,437,336**

The share premium account represents the issue proceeds received, or value attributed, 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 Royal Court of Guernsey.

19. WARRANTS

	31 July 2013	31 July 2012
Number of warrants issued at IPO (1:1 exercisable for C shares)	**3,000,000**	3,000,000
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	**€6.04**	€4.39
Theoretical value per warrant if exercised at period end	**—**	—
Dilutive effect of warrants	**—**	—

The warrants were issued to the Investment Manager upon the 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 and will cease to be exercisable after 31 December 2016.

20. RESERVES

	Accumulated loss €	Other distributable reserves €	Unrealised gains/(losses) €
As at 31 July 2011	(114,438,772)	245,071,649	8,457,780
Profit for the year	50,569,290	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	(10,162,881)
Net realised net gain on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain, transferred to the Income Statement	—	—	(256,975)
Scrip dividend paid	—	(1,259,113)	—
Dividend paid	—	(12,319,209)	—
Dividend payable	—	(75,284)	—
As at 31 July 2012	(63,869,482)	231,418,043	(1,962,076)
Profit for the year	54,098,951	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	16,448,875
Net realised net gain on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain, transferred to the Income Statement	—	—	(1,355,439)
Scrip dividend paid	—	(3,058,966)	—
Dividend paid	—	(15,272,020)	—
As at 31 July 2013	**(9,770,531)**	**213,087,057**	**13,131,360**

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

Other distributable reserves represent the balance transferred from the share premium account on 26 January 2007, less dividends paid. The initial purpose of this reserve was to create a reserve from which dividend payments could be paid under Guernsey company law prevailing at that time. However, the Companies (Guernsey) Law, 2008 (as amended) became effective from 1 July 2008. Under this law, dividends may now be paid from any source, provided that a company satisfies the relevant solvency 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 2013

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be 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 tables analyse, within the fair value hierarchy, the Company's financial assets and liabilities (by class, excluding cash and cash equivalents, trade and other receivables and trade and other payables) measured at fair value at 31 July 2013 and 31 July 2012:

	31 July 2013			
	Level 1 €	**Level 2 €**	**Level 3 €**	**Total €**
Available-for-sale securities:				
– debt securities	**—**	**—**	**184,348,830**	**184,348,830**
– equity securities	**—**	**—**	**16,833,523**	**16,833,523**
Financial assets at fair value through profit or loss:				
– securities	**—**	**—**	**32,060,764**	**32,060,764**
– open foreign exchange derivatives	**—**	**1,623,337**	**—**	**1,623,337**
	—	**1,623,337**	**233,243,117**	**234,866,454**

	31 July 2012			
	Level 1 €	Level 2 €	Level 3 €	Total €
Available-for-sale securities:				
– debt securities	—	—	136,719,763	136,719,763
– equity securities	—	—	15,131,980	15,131,980
Financial assets at fair value through profit or loss:				
– securities	—	—	13,006,966	13,006,966
– open foreign exchange derivatives	—	972,651	—	972,651
	—	972,651	164,858,709	165,831,360

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

Foreign exchange derivatives (open option positions and open foreign exchange swaps) are included within Level 2 as their prices are not publicly available but are derived from information that is publicly available.

21. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE ESTIMATION CONTINUED

The following table represents the movement in Level 3 instruments for the period ended 31 July 2013 by class of financial instrument:

	Available-for-sale debt securities €	Available-for sale equity securities €	Financial assets at fair value through profit or loss €	Total €
Balance as at 31 July 2012	136,719,763	15,131,980	13,006,966	164,858,709
Purchases	32,903,401	2,312,820	11,243,463	46,459,684
Sales	(21,303,746)	—	(2,891,596)	(24,195,342)
Coupons receivable	(29,245,453)	(1,365,312)	(2,447,751)	(33,058,516)
Gains and losses recognised in the Income Statement:				
– interest income recognised	38,881,958	1,365,312	3,686,124	43,933,394
– net reversal of impairments previously recognised	14,751,105	—	—	14,751,105
– net foreign exchange gain	(6,748,958)	(573,064)	(223,075)	(7,545,097)
– net realised gain on available-for-sale securities	3,259,111	—	(6,056)	3,253,055
– loss on revaluation of financial assets at fair value through profit or loss	—	—	9,692,689	9,692,689
Subtotal	**169,217,181**	**16,871,736**	**32,060,764**	**218,149,681**
Gains and losses recognised in the Statement of Comprehensive Income:				
– net unrealised fair value movement on available-for-sale securities	15,131,649	(38,213)	—	15,093,436
Balance as at 31 July 2013	**184,348,830**	**16,833,523**	**32,060,764**	**233,243,117**

The appropriate fair value level classification is reviewed for each of the Company's investments at the end of each semi-annual period. Any transfers to or from Level 3 are recognised at the beginning of the period following such re-classification at the fair value as at the date of re-classification.

SENSITIVITY ANALYSIS

In the opinion of the Directors, the following analysis gives an approximation of the sensitivity of the different asset classes to market risk as at 31 July 2013 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 fair values used for the purposes of the sensitivity analysis include accrued effective income and therefore do not correspond precisely to the fair values presented in these financial statements. A sensitivity analysis based upon the fair values presented in these financial statements would not be materially different.

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. For additional information please refer to Section 4, including table 7, of the Investment Manager's Report and the non-exhaustive list of risk factors presented in the Corporate Summary.

CLO tranches

All CLO tranches held by Volta are classified as available-for-sale debt securities.

One of the main determinants of the risks associated with CLO tranches 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.

The base case scenario is to project defaults in accordance with the average rating of the underlying loans (WARF: Weighted Average Risk Rating of the underlying portfolio), on average 3% default per year. The test has been calibrated as an amount equivalent to one year of projected defaults, measured by the WARF, for the first year to come, keeping the projected future losses unchanged for the following years (i.e. an immediate "jump to default" equivalent to one year of defaults at the historical average default rate).

If defaults for the first year were to increase by such amount, the fair value of the residual tranches of CLOs (€40.0 million as at 31 July 2013) would decrease by 3.8% or €1.5 million. If defaults for the first year were to decrease by such amount, the fair value of the residual tranches of CLOs would increase by 3.6% or €1.5 million.

The fair value of the mezzanine tranches of CLOs (€106.5 million as at 31 July 2013) would be roughly unchanged if defaults for the first year were to increase or 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

21. FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS CONTINUED

Cash Corporate Credit deals

As at 31 July 2013, the Company has three investments in this bucket. Two of these (Promise Mobility and ICE 1) are classified as available-for-sale debt securities and one (Tennenbaum) is a loan fund classified as available-for-sale equity.

These assets have 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.

For Tennenbaum and ICE 1, the test has been calibrated as an amount equivalent to one year of projected defaults, measured by the WARF of the underlying portfolio, similar to the test applied to CLO tranches. Considering the subordination to losses of ICE 1, the fair value of this asset (€3.4 million as at 31 July 2013) would be almost unchanged if defaults for the first year were to increase or decrease by such amount. If defaults for the first year were to increase by one year of projected normalised default rate, the fair value of Tennenbaum (€8.3 million as at 31 July 2013) would decrease by 1.5% or €0.1 million. If defaults for the first year were to decrease by one year of projected normalised default rate, the fair value of Tennenbaum would increase by 1.5% or €0.1 million.

For the Promise Mobility position, 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 projected annual losses of the underlying portfolio relative to the projected losses used to value the assets, as at 31 July 2013. If the expected losses on the underlying portfolio of this asset were to increase by 25%, the fair value of this asset (€2.2 million as at 31 July 2013) would decrease by 33% or €0.7 million. If the expected losses on the underlying portfolio of this asset were to decrease by 25%, the fair value of this asset would increase by 33% or €0.7 million.

Synthetic Corporate Credit transactions

Assets in this bucket are classified in three accounting categories: available-for-sale debt securities, available-for-sale equity and fair value through profit or loss.

All the assets in this bucket are first loss or junior second loss exposures to diversified portfolios of investment grade and subinvestment 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 projected future losses unchanged for the following years.

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

If defaults for the first year were to increase by such amount, the fair value of the available-for-sale debt securities (€17.6 million as at 31 July 2013) would decrease by 2.1% or €0.4 million. If defaults for the first year were to decrease by such amount, the fair value of the available-for-sale debt securities would increase by 2.1% or €0.4 million. This low sensitivity is due to the seniority of the majority of these positions relative to losses that could occur in the underlying portfolio.

If defaults for the first year were to increase by such amount, the fair value of the securities classified as fair value through profit or loss (€32.8 million as at 31 July 2013) would decrease by 4.6% or €1.5 million. If defaults for the first year were to decrease by such amount, the fair value of the securities classified as fair value through profit or loss would increase by 4.6% or €1.5 million. This high sensitivity is due to the fact that these positions are first loss positions.

If defaults for the first year were to increase by such amount, the fair value of the security classified as an available-for-sale equity security (only one asset: BCOF, a fund of Bank Balance Sheet transactions, €5.4 million as at 31 July 2013) would decrease by 3.0% or €0.2 million. If defaults for the first year were to decrease by such amount, the fair value of this asset would increase by 3.0% or €0.2 million.

The fair value of some of the synthetic positions is mathematically linked to the mark-to-market spread of the underlying credit portfolio. The test has been calibrated to an increase and a decrease by approximately one-sixth of the spread of the underlying portfolio. This test is only adequate for ARIA CDO III and Cadenza. If the spreads of the underlying portfolio assets were to increase by such proportion, the fair value (€16.4 million as at 31 July 2013) would decrease by 2.1% or €0.3 million. If the spreads of the underlying portfolio assets were to decrease by such proportion, the fair value would increase by 2.0% or €0.3 million.

ABS

Except for one asset (St Bernard) that is classified as an available-for-sale equity, the ABS assets are classified as available-for-sale debt (the five UK non-conforming transactions and two CDO of ABS).

The main determinant of the risks associated with the UK non-conforming 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 projected annual losses of the underlying portfolio relative to the projected losses used to value the assets. If the projected losses on the UK non-conforming underlying portfolio were to increase by such amount, the fair value of these assets (€13.4 million as at 31 July 2013) would decrease by 21% or €2.8 million. If the projected losses on the UK non-conforming underlying portfolio were to decrease by such amount, the fair value of these assets would increase by 21% or €2.8 million.

21. FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS CONTINUED

ABS continued

For the CDO of ABS positions (Pangaea and ResLoc, together €3.0 million fair value at 31 July 2013), the Directors believe it is reasonable to apply the same test as that applied to CLO Debt tranches. Considering the seniority of these tranches, it is almost insensitive to such stress.

For St Bernard (€3.2 million fair value as at 31 July 2013), being a complex fund, it has been impossible for the Company to determine a simple stress test that could be implemented. However it should be noted that, as at 31 July 2013 and over the last twelve months, St Bernard's volatility was 6.3% for an annual performance of 23.2% (the respective figures since inception of this fund are 6.4% volatility for an annualised performance of 15.6%). The Directors believe that this gives a reasonable indication of the risk profile of this investment.

VALUATION RISK

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

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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

21. FINANCIAL RISK MANAGEMENT CONTINUED

INTEREST RATE RISK CONTINUED

Interest rate profile as at 31 July 2013

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
EUR deposit accounts	**Floating**	**Eonia – 25bp**	**1,155,210**
USD deposit accounts	**Floating**	**Overnight USD Libor – 25bp**	**8,481,087**
GBP deposit accounts	**Floating**	**SONIA – 40bp**	**38,718**
CHF deposit accounts	**Floating**	**Overnight CHF Libor – 25bp**	**62,826**
			9,737,841
Available-for-sale securities:			
AFS (denominated in EUR)	**Fixed/Floating**	**18.59%**	**70,007,928**
AFS (denominated in USD)	**Fixed/Floating**	**22.60%**	**117,357,250**
AFS (denominated in GBP)	**Fixed/Floating**	**5.20%**	**13,817,175**
			201,182,353
Financial assets at fair value through profit or loss (EUR)	**Floating**	**11.44%**	**25,402,521**
Financial assets at fair value through profit or loss (USD)	**Floating**	**16.60%**	**4,224,171**
Financial assets at fair value through profit or loss (CHF)	**Floating**	**9.60%**	**2,434,072**
			32,060,764
Trade and other receivables	**Non-interest bearing**	**N/A**	**5,508,123**
Derivative contracts	**Non-interest bearing**	**N/A**	**1,623,337**
			7,131,460
			250,112,418
Financial liabilities			
Trade and other payables	**Non-interest bearing**	**N/A**	**5,801,031**
			5,801,031

Interest rate profile as at 31 July 2012

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
EUR deposit accounts	Floating	Eonia – 25bp	2,289,772
USD deposit accounts	Floating	Overnight USD Libor – 25bp	1,731,740
GBP deposit accounts	Floating	SONIA – 40bp	1,147,295
			5,168,807
Available-for-sale securities:			
AFS (denominated in EUR)	Fixed/Floating	18.73%	42,737,746
AFS (denominated in USD)	Fixed/Floating	19.30%	103,639,696
AFS (denominated in GBP)	Fixed/Floating	5.69%	5,474,301
			151,851,743
Financial assets at fair value through profit or loss (EUR)	Floating	29.23%	10,484,039
Financial assets at fair value through profit or loss (USD)	Floating	7.54%	2,522,927
			13,006,966
Trade and other receivables	Non-interest bearing	N/A	5,132,642
Derivative contracts	Non-interest bearing	N/A	972,651
			6,105,293
			176,132,809
Financial liabilities			
Trade and other payables	Non-interest bearing	N/A	(5,166,386)
			(5,166,386)

In the Directors' opinion, market interest rate risk on the Company's investments is not considered to be material when compared to the risk factors that are considered to be significant, as described in the sensitivity analysis.

21. FINANCIAL RISK MANAGEMENT CONTINUED

CURRENCY RISK

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

The Company's policy is to hedge currency risk on an asset by asset basis and also, where the Investment Manager considers appropriate, on an overall portfolio basis. The Company may bear a level of currency risk that could otherwise be hedged where the Investment Manager considers that bearing such risks is advisable or is in the best interest of the Company considering the liquidity risk that is attached to any derivative contracts that could be used (e.g. margin calls on those contracts). At the end of July 2013 the Investment Manager has put into 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 2013 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 2013

	Denominated in EUR €	Denominated in USD €	Denominated in GBP €	Denominated in CHF €
Investments:				
Available-for-sale debt securities	64,647,428	105,884,227	13,817,175	—
Financial assets at fair value through profit or loss	25,402,521	4,224,171	—	2,434,072
Available-for-sale equity securities	5,360,500	11,473,023	—	—
	95,410,449	121,581,421	13,817,175	2,434,072
Cash and cash equivalents	1,155,210	8,481,087	38,718	62,826
Trade and other receivables	3,482,057	1,939,596	72,282	14,188
Trade and other payables	(5,693,197)	(28,060)	(79,774)	—
Derivative contracts	1,623,337	—	—	—
	95,977,856	131,974,044	13,848,401	2,511,086

The following foreign exchange swaps and options were unsettled as at 31 July 2013:

Description of open positions	Nominal amount USD	Average strike price
Forward foreign exchange contracts (USD sold forward vs. EUR)	67,500,000	1.31
Long position – USD calls vs. EUR	62,500,000	1.19
Short position – USD puts vs. EUR	62,500,000	1.42
Long position – USD puts vs. EUR	37,500,000	1.61

	Unrealised gain EUR
Aggregate revaluation gain	792,235
Margin accounts balance – amounts paid	230,048
Unsettled amount receivable	1,022,283

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

21. FINANCIAL RISK MANAGEMENT CONTINUED

CURRENCY RISK CONTINUED

Currency risk profile as at 31 July 2012

	Denominated in EUR €	Denominated in USD €	Denominated in GBP €
Investments			
Available-for-sale debt securities	42,737,746	88,507,716	5,474,301
Financial assets at fair value through profit or loss	10,484,039	2,522,927	—
Available-for-sale equity securities	—	15,131,980	—
	53,221,785	106,162,623	5,474,301
Cash and cash equivalents	2,289,772	1,731,740	1,147,295
Trade and other receivables	2,906,245	2,218,082	8,315
Trade and other payables	(5,035,152)	—	(131,234)
Derivative contracts	972,651	—	—
	54,355,301	110,112,445	6,498,677

The following foreign exchange swaps and options were unsettled as at 31 July 2012:

Description of open positions	Nominal amount USD	Average strike price
Forward foreign exchange contracts (USD sold forward vs. EUR)	67,500,000	1.32
Long position – USD calls vs. EUR	50,000,000	1.23
Short position – USD puts vs. EUR	50,800,000	1.44

	Unrealised gain EUR
Aggregate revaluation loss	(1,517,398)
Margin accounts balance – amounts paid	2,490,049
Unsettled amount receivable	972,651

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.

AFS debt securities include ABS positions, Cash Corporate Credit assets and CLO assets.

The ABS positions could be split into three different buckets: a tranche, originally rated AAA, of a deal backed by tranches of ABS (Pangaea), representing 12.5% of the fair value of this asset class; a position in a fund mainly investing in US RMBS debt tranches (St Bernard Opportunity Fund), representing 16.4% of the fair value of this asset class; and five residual income positions backed by UK non-conforming residential loans, representing 68.4% of the fair value of this asset class. During the financial year, no particular events affected either Pangaea or St Bernard Opportunity Fund. At the period end, the valuation of the five UK non-conforming residual positions reflects the approach that recently observed cash flows, being the result of extra payments at the underlying level, might last for five years.

The Cash Corporate Credit assets include three positions: one loan fund (Tennenbaum), one residual position exposed to German SME loans (Promise Mobility) and an originally AA-rated tranche of a CDO exposed to emerging market credit positions (ICE). During the financial year, no particular events affected the situation of any of these three positions. However, one third of the investment in Promise Mobility (i.e. €4 million nominal amount of the original €8 million nominal amount purchased) was sold in May 2013 at a price that tends to verify the current estimated fair value of this asset.

The positions in the CLO asset class are residual or mezzanine debt tranches of CLOs, which, 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 the ten US dollar and euro transactions that have been held since early/mid 2007, the effective cash flows available for the owner of the residual positions have increased significantly 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 93% at the end of January 2013, down 7% from 31 July 2012, according to the latest CLO reports available at this time. This decline is due to a change in measurement basis when measuring the remaining principal amount that now takes into account projected Performance Fees that may be due to the CLO managers, which would diminish the amount due to CLO Equity holders. This illustrates the ability of the underlying portfolio managers to re-build principal value for the residual holder.

21. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT RISK, INCLUDING COUNTERPARTY RISK CONTINUED

All of the positions in this bucket are negatively exposed to an increase in default rates, to an increase in the percentage of assets rated CCC or below and to a significant decrease in underlying loan prices. However, they strongly benefit from a historically cheap cost of leverage that was locked in before the 2008 crisis and they also benefit from some of their intrinsic features, mainly the ability to re-invest diverted amounts and prepayments.

As at 31 July 2013, the Company held 53 positions in debt tranches of CLOs accounting for 42.6% of Volta's end-of-period GAV. 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 debt tranches of CLOs have been in tranches initially rated between BB (second loss position) and A (generally fourth loss position). These positions, as for the residual holdings, have cash flows that are sensitive to the level of defaults and the percentage of assets rated CCC or lower in the underlying loan portfolio. Nevertheless, these tranches are structured to be able to absorb a higher level of defaults in the underlying loans portfolio than residual holdings, given their second, third and even higher loss ranking.

Each asset, at the time of purchase, was expected to repay its principal in full at maturity and was expected to be able to sustain a certain level of stress. Depending on the ability to find opportunities in the market and on the timing of the purchases, the Company has been able to purchase assets with different levels of initial subordination and IRR.

Six of these positions (Adagio III, Alpstar II, Centurion, Apidos, Black Diamond and Tara Hill) have structural features that could generate some early payments of principal in the event of stressed conditions arising in the underlying portfolios, which might be beneficial to the Company, considering these positions were bought significantly below par.

Financial assets at fair value through profit or loss comprise Synthetic Corporate Credit positions.

The Synthetic Corporate Credit bucket could be split in two: debt tranches, representing 36.5% of the fair value of this bucket; and first loss positions in credit portfolios, representing 63.5% of the fair value of this bucket. No particular events in the semi-annual period affected the situation of these positions. Through these synthetic deals the Company is exposed to the credit of the counterparty of such deals, namely Merrill Lynch International, JP Morgan, UBS and Standard Chartered.

The table below takes into account losses of principal amounts that could not be recouped for Corporate Credit and ABS; residual tranches of CLOs are accounted for by their remaining principal amount; and US dollar principal amounts being translated to euro using end of period cross rate.

	End of period principal amounts (€ million)				
	July 2011	January 2012	July 2012	January 2013	July 2013
Synthetic Corporate Credit Equity	26.2	23.3	18.9	21.4	18.9
Synthetic Corporate Credit Debt	14.2	23.4	24.3	22.9	23.2
Bank Balance Sheet transactions	—	5.0	7.0	10.7	17.7
CLO Equity	44.1	51.5	54.9	44.2	45.2
CLO Debt	87.1	94.0	106.9	111.6	123.8
Cash Corporate Credit equity	20.0	21.1	18.5	16.6	14.0
Cash Corporate Credit debt	3.5	3.8	4.1	3.7	3.8
ABS	5.0	4.8	10.7	9.9	18.4
Cash and derivative positions	8.1	3.8	3.9	6.5	11.4
Total principal (including cash)	208.2	230.7	249.2	247.5	276.4
Change before currency conversion impact	12.0	11.1	8.6	11.7	25.8
Effect of conversion into euro at end of period	(5.3)	11.4	9.9	(13.4)	3.1
Principal amount per share (euro)	**6.76**	**7.46**	**7.95**	**7.69**	**7.83**

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 various techniques to limit actual counterparty credit risk. As at the financial year end, the Company's derivative counterparties were Deutsche Bank AG, London Branch ("Deutsche Bank"), Citibank New York, Citibank N.A., London Branch and Goldman Sachs International. The current long-term issuer credit ratings assigned to Deutsche Bank AG, Citigroup Inc and Goldman Sachs International by each of Moody's, Standard & Poor's and Fitch respectively are as follows: Deutsche Bank AG: A2 (stable), A (stable) and A+ (stable); Citigroup Inc: Baa2 (rating under review, possible downgrade), A- (negative) and A (stable); Goldman Sachs: A3 (rating under review, possible downgrade), A- (negative) and A (stable).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

21. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT RISK, INCLUDING COUNTERPARTY RISK CONTINUED

Substantially all of the cash held by the Company is held at Deutsche Bank. Bankruptcy or insolvency by Deutsche Bank may cause the Company's rights with respect to the cash held at 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.

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.

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

No financial assets carried at amortised cost were past due but not impaired either at 31 July 2013 or 31 July 2012.

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 may combine 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.

As at the reporting date, the Company's exposures were concentrated in the following asset classes:

Main asset class	Detailed classification	**As at 31 July 2013** %	As at 31 July 2012 %
CLO	USD CLO Equity	**14.6**	21.1
	USD CLO Debt	**21.9**	24.6
	EUR CLO Equity	**3.2**	1.7
	EUR CLO Debt	**22.6**	15.9
Synthetic Corporate Credit	Synthetic Corporate Credit Equity	**6.1**	5.5
	Synthetic Corporate Credit Debt	**8.6**	10.2
	Bank Balance Sheet transactions	**7.8**	4.1
Cash Corporate Credit	Cash Corporate Credit Equity	**4.2**	7.9
	Cash Corporate Credit Debt	**1.4**	1.8
ABS	Mortgage Residual positions	**6.5**	3.2
	ABS Debt	**1.4**	1.8
Cash		**1.7**	2.3

The table above shows the asset allocation based on mark-to-market prices (based on originally reported GAV). As at 31 July 2013, originally reported GAV amounted to €247.1 million (31 July 2012: €173.2 million). The valuation of each asset class takes into account the valuation of the individual assets and of the derivatives hedging the asset class and includes €7.4 million that was committed to subscribe for two tranches of a new European CLO, but which was not yet payable as at 31 July 2013. Figures may not add up to 100% due to rounding. For further information please refer to tables 1 to 7 of the Investment Manager's Report.

RE-INVESTMENT 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 re-invest in a low interest rate environment. One virtue of having a multi-asset class strategy is that the flexibility exists to reallocate among asset classes in such cases.

21. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK

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

MATURITY PROFILE

The following tables show the legal maturity of the securities:

Maturity profile as at 31 July 2013

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	**9,737,841**	**—**	**—**
Available-for-sale securities	**27,048,738**	**63,850,340**	**110,283,275**
Financial assets at fair value through profit and loss	**11,643,776**	**20,416,988**	**—**
Derivative contracts	**5,508,123**	**—**	**—**
Trade and other receivables	**1,804,706**	**(181,369)**	**—**
	55,743,184	**84,085,959**	**110,283,275**
Financial liabilities			
Trade and other payables	**(5,801,031)**	**—**	**—**
	(5,801,031)	**—**	**—**

Maturity profile as at 31 July 2012

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	5,168,807	—	—
Available-for-sale securities	6,196,798	22,733,567	122,921,377
Financial assets at fair value through profit and loss	2,103,314	8,909,520	1,994,133
Derivative contracts	2,877,412	(1,904,761)	—
Trade and other receivables	5,132,642	—	—
	21,478,973	29,738,326	124,915,510
Financial liabilities			
Trade and other payables	(5,166,386)	—	—
	(5,166,386)	—	—

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. The Company seeks to attain its investment objectives by pursuing a multi-asset class investment strategy, although investments made during the 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. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

22. RELATED PARTY DISCLOSURE

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER

For disclosure of Directors' remuneration, please see Note 8. As at the year end, Directors' fees to be paid in cash of €66,150 (31 July 2012: €66,150) had been accrued but not paid. Directors' fees to be paid in shares of €28,350 (31 July 2012: €28,350) had been accrued but not paid and Directors' expenses of €1,047 (31 July 2012: €891) had been accrued but not paid.

As at 31 July 2013, the Directors of the Company controlled 1.04% (31 July 2012: 0.98%) of the voting shares of the Company.

Under the Investment Management Agreement, the Investment Manager was entitled to receive a Management Fee from the Company at a rate of 1.5% per annum 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 NAV that is greater or equal to €200,000,000, calculated for each semi-annual period ending on 31 July and 31 January each year on the basis of the Company's NAV at the end of the preceding period and payable semi-annually in arrears. During the year the Investment Management Fees accrued were €2,589,916 (year ended 31 July 2012: €1,892,641). Fees accrued outstanding as at 31 July 2013 were €1,397,210 (31 July 2012: €904,894).

On 17 July 2013, shareholders approved a revised calculation basis for the Investment Manager's Management Fee. Effective from 1 August 2013, the Investment Manager is entitled to receive a management fee from the Company at a rate of 1.5% per annum of the Company's NAV, calculated for each semi-annual period ending on 31 July and 31 January each year on the basis of the Company's NAV at the end of the preceding period and payable semi-annually in arrears.

Up to and including 31 July 2013, "performance" for any semi-annual period was defined as the difference, positive or negative, between the Distribution Income and the hurdle amount for that semi-annual period. The hurdle amount was 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. If the performance of the Company for a semi-annual period was positive and the aggregate of the performance for such period and the performance for the three previous semi-annual periods (the "Underperformance Measure Period") was also positive, the Investment Manager was entitled to receive a Performance Fee of 25% of the amount of the lower of (i) the performance for the semi-annual period and (ii) the aggregate of the performance for the semi-annual period and the performance for the Underperformance Measure Period, less any Performance Fees previously payable with respect to the Underperformance Measure Period. If a Performance Fee was payable, 50% of any such fee was payable in cash and 50% was payable in the form of newly issued Class C shares, which are recognised in equity immediately. Any such Class C shares were issued at a share price based on the average closing share price for the 60 Euronext Amsterdam trading days preceding the date of issuance. 731,243 Class C shares were issued during the financial year in payment of Performance Fees of €3,455,544. The Performance Fee charge recognised in the Income Statement for the year was €7,659,610 (2012: €2,897,357). Incentive fees of €1,983,836 were outstanding as at 31 July 2013 (31 July 2012: €3,752,758).

On 17 July 2013, shareholders approved a revised calculation basis for the Investment Manager's Performance Fee. Effective from 1 August 2013, the Investment Manager will be entitled to receive a Performance Fee from the Company if the Company's NAV increases during a semi-annual period by an amount that exceeds a specified threshold ("Threshold A") and if the cumulative amount of the NAV increase, if any, over the most recent six semi-annual periods exceeds another specified threshold ("Threshold B").

The Proposed Formula is to pay performance fees equal to the lesser of A and B below:

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

X% is defined as 15% if the NAV plus cumulative dividends paid since the IPO as at the beginning of the period is below cumulative capital raised since the IPO, or 20% if the NAV plus cumulative dividends paid as at the beginning of the period is above cumulative capital raised.

Threshold A is defined as the greater of (i) 8%** of the cumulative capital raised and (ii) 10%** of the NAV*** at the beginning of the semi-annual period.

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

* As adjusted for: dividends paid in cash; new shares issued for cash; and, expenses paid by issuance of shares over the period
** Calculated on an annualised basis (currently on an ACT/360 basis, proposed basis to be ACT/ACT)
*** As adjusted for dividends paid in cash and new shares issued for cash

The Proposed Formula will generate a performance fee payable to the Investment Manager based solely on the NAV performance of a single semi-annual period only if the cumulative performance over three years is greater than Threshold B. Any such performance fee payable will be paid entirely in cash.

22. RELATED PARTY DISCLOSURE CONTINUED

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER CONTINUED

As stated in the Investment Manager's Report, the Investment Manager also acts as Investment Manager for the following of the Company's investments: ARIA III; Jazz III CDO (Ireland) PLC Subordinated Notes (EUR and USD); 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; Bank Capital Opportunity Fund; Cadenza; and St. Bernard Opportunity Fund (Series 3 and 4).

The Investment Manager earns Investment Management Fees directly from each of the above investment vehicles, in addition to its Investment Management Fees earned from the Company, except for the Company's investments in ARIA III; Bank Capital Opportunity Fund; Cadenza; St. Bernard Credit Opportunities Fund; and the original purchases of first loss tranches of Jazz III. In these cases 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.

Except for the Company's investments in ARIA III; Bank Capital Opportunities Fund; Cadenza; St Bernard Opportunity Fund; and the original purchases of first loss tranches of Jazz III, all other investments in products managed by the Investment Manager were made by way of secondary market purchases on a bona fide arm's length basis from parties unaffiliated with the Investment Manager. Therefore, the Company pays Investment Management Fees with respect to these investments calculated in the same way as if the Investment Manager of these deals was an independent third party.

As at 31 July 2013, AXA Group Investors and AXA Assurances Vie Mutuelle together held 25.83% (31 July 2012: 28.28%) of the voting shares in the Company and funds managed by AXA IM for third-party investors owned 5.49% (31 July 2012: 5.77%) of the voting shares in the Company. AXA IM did not hold any voting shares in the Company for its own account as at 31 July 2013. AXA IM held 871,157 Class C shares as at 31 July 2013.

23. COMMITMENTS

As at 31 July 2013, the Company had committed to invest €7.4 million in two tranches of a new European CLO (Arese 2013-6 Subordinated Notes and Class E Notes), which was issued in September 2013. The subscription amount of €7.4 million was not yet payable as at 31 July 2013. As at 31 July 2013 the Company had no commitments linked to previous investments.

24. SUBSEQUENT EVENTS

Since the end of the financial year, no particular event has materially affected the Company; however, the following points are pertinent:

Since the end of July 2013, Volta's GAV increased from €7.00 per share to €7.14 per share at the end of August 2013.

Since the end of July 2013, taking profit from the tightening of credit spreads, the Company sold seven debt tranches of CLO in September and one debt tranche of a Synthetic Corporate Credit transaction. At the time of writing this report the Company had approximately €35 million available for investment

DISTRIBUTION INCOME CALCULATION (UNAUDITED)

FOR THE YEAR ENDED 31 JULY 2013

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.

DISTRIBUTION INCOME CALCULATION

	1 August 2012 to 31 January 2013	1 February 2013 to 31 July 2013	**1 August 2012 to 31 July 2013**
Net IFRS profit per the Income Statement	25,493,315	28,605,636	**54,098,951**
Less: income from available-for-sale securities – effective interest income and dividend income per IFRS financial statements	(10,777,461)	(12,635,779)	**(23,413,240)**
Less: income from available-for-sale securities – recognition of revised cash flow estimates per IFRS financial statements	(13,796,670)	(3,037,360)	**(16,834,030)**
Less: income on investments at fair value through profit or loss per IFRS financial statements	(1,771,297)	(1,914,827)	**(3,686,124)**
Add: income from available-for-sale securities – effective interest income and dividend income per DI, incorporating adjustments for impaired and improved assets	11,001,208	12,587,952	**23,589,160**
Add: income from available-for-sale securities – recognition of revised cash flow estimates per DI, incorporating adjustments for impaired and improved assets	10,571,300	1,804,053	**12,375,353**
Add: income on investments at fair value through profit or loss per DI, incorporating adjustments for impaired assets	1,164,139	1,568,639	**2,732,778**
Less: realised gains on disposals and/or redemptions per IFRS financial statements	(1,401,596)	(1,851,459)	**(3,253,055)**
Add: realised gains on disposals and/or redemptions per DI	1,181,761	1,623,011	**2,804,772**
Less: net reversals of impairments per IFRS financial statements	(2,565,308)	(12,185,797)	**(14,751,105)**
Add: net reversals of impairments per DI	5,731,743	13,649,846	**19,381,589**
Less: unrealised gain on revaluation of investments held at FVTPL	(8,182,336)	(1,510,353)	**(9,692,689)**
Add/(Less): unrealised loss/(gain) on foreign exchange retranslation of available-for-sale securities and investments at fair value through profit or loss	9,696,039	(2,150,942)	**7,545,097**
(Less)/Add: unrealised (gain)/loss on revaluation of derivatives	(2,725,837)	229,432	**(2,496,405)**
Less: deferral of net foreign exchange derivatives	(84,446)	(291,345)	**(375,791)**
Add: accrual of Performance Fees for the period	3,691,939	3,967,671	**7,659,610**
Distribution Income	27,226,493	28,458,379	**55,684,871**

DISTRIBUTION INCOME CALCULATION (PRIOR YEAR)

	1 August 2011 to 31 January 2012 €	1 February 2012 to 31 July 2012 €	1 August 2011 to 31 July 2012 €
Net IFRS profit per the Income Statement	16,009,656	34,559,634	50,569,290
Less: income from available-for-sale securities – effective interest income and dividend income per IFRS financial statements	(10,532,260)	(11,719,319)	(22,251,579)
Less: income from available-for-sale securities – recognition of revised cash flow estimates per IFRS financial statements	(2,282,931)	(3,782,009)	(6,064,940)
Less: income on investments at fair value through profit or loss per IFRS financial statements	(1,664,079)	(1,590,160)	(3,254,240)
Add: income from available-for-sale securities – effective interest income and dividend income per DI, incorporating adjustments for impaired and improved assets	9,965,203	9,993,952	19,959,155
Add: income from available-for-sale securities – recognition of revised cash flow estimates per DI, incorporating adjustments for impaired and improved assets	1,614,678	2,556,824	4,171,502
Add: income on investments at fair value through profit or loss per DI, incorporating adjustments for impaired assets	1,083,010	989,363	2,072,373
Less: realised gains on disposals and/or redemptions per IFRS financial statements	(161,591)	(1,097,729)	(1,259,320)
Add: realised gains on disposals and/or redemptions per DI	161,591	1,028,307	1,189,898
Less: net reversals of impairments per IFRS financial statements	(754,151)	(18,504,662)	(19,258,813)
Add: net reversals of impairments per DI	433,933	14,024,617	14,458,550
Add/(Less): unrealised loss/(gain) on revaluation of investments held at FVTPL	2,609,474	(52,888)	2,556,586
Less: unrealised gain on foreign exchange retranslation of available-for-sale securities and investments at fair value through profit or loss	(6,278,383)	(4,864,486)	(11,142,869)
Add: unrealised loss on revaluation of derivatives	1,150,292	1,744,949	2,895,241
(Less)/Add: deferral of net foreign exchange derivatives	(106,481)	43,603	(62,878)
(Less)/Add: (over accrual)/accrual of Performance Fees for the (prior period)/period	(321,791)	3,219,148	2,897,357
Distribution Income	10,926,170	26,549,144	37,475,314

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 no longer relevant with respect to this principal purpose, as described in the annual report for 2010. However, as at 31 July 2013, DI remained relevant for the purpose of calculation of the Investment Manager's Performance 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.

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 resolved to calculate DI for any relevant calculation period on the basis described overleaf.

DISTRIBUTION INCOME CALCULATION (UNAUDITED) CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

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 is 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 exercise of foreign exchange options;

(e) operating expenditure (excluding Investment Manager Performance 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 amounts 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 is 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;

(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 amounts of any such gains or losses that were previously recognised in prior periods as unrealised gains or losses); and

(l) net income/expense on foreign exchange option premiums amortised during the period.

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

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

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

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

(p) Investment Manager Performance 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.

(l): Foreign exchange option premiums received/paid are amortised on a straight-line basis from the trade date until the expiry or exercise date.

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.

DISTRIBUTION INCOME CALCULATION (UNAUDITED) CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

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 2013, 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.

NOTICE OF MEETING

FOR THE YEAR ENDED 31 JULY 2013

VOLTA FINANCE LIMITED

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

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING OF THE COMPANY

In accordance with the Company's Articles of Incorporation, notice is hereby given that the seventh Annual General Meeting of the Company will be held at the Company's registered office, 3rd Floor, Natwest House, Le Truchot, St Peter Port, Guernsey GY1 1WD, Channel Islands, at 10:00am (London time) on 3 December 2013.

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 eighth AGM of the Company; and
- in accordance with the UK Corporate Governance Code, the Chairman wishes to inform shareholders that a formal performance evaluation process was undertaken in relation to his own re-election and Paul Varotsis' re-election. The Board found both Mr Gilligan and Mr Varotsis to be valuable members of the Board and wishes to propose their 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 2013, including the reports of the Directors and the Auditors (the "Accounts").
2. To re-appoint 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 2014.
4. To re-elect James Gilligan as Chairman of the Board of Directors of the Company for a term of three years.

4\. To re-elect Paul Varotsis as an Independent Director of the Company for a term of two years.

5\. To approve a final dividend* for the period ended 31 July 2013 in respect of the Company's ordinary shares, Class B share and Class C shares of €0.31 per share, with an ex-dividend date of 5 December 2013, a record date of 9 December 2013 and a payment date of 30 December 2013.

* Provided always that no dividend shall be paid in respect of any shares held by the Company as treasury shares.

6\. To renew the authorisation of the Company unconditionally and generally for the purposes of Section 315 of the Companies (Guernsey) Law, 2008 (as amended) to make market purchases** of ordinary shares in the Company provided that:

a. the maximum number of ordinary shares in each class authorised to be purchased is 14.99% of each class of the ordinary shares in issue at any time;

b. the minimum price payable by the Company for each ordinary share is 1% of the average of the mid-market values of the ordinary shares of that class in the Company for the five business days prior to the date of the market purchase and the maximum price payable by the Company for each ordinary share will not be more than 105% of the average of the mid-market values of the ordinary shares of that class in the Company for the five business days prior to the date of the market purchase; and

c. such authority shall expire at the conclusion of the next Annual General Meeting of the Company.

** Provided always that the market purchase will meet the criteria stipulated in the Commission Regulation (EC) of 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003) (unless the purchases would not bear the risk of breaching the market manipulation prohibition).

NOTICE OF MEETING CONTINUED

FOR THE YEAR ENDED 31 JULY 2013

NOTES

1. The Company's 2013 annual report and accounts will be published on 18 October 2013.
2. Copies of the Company's Memorandum and Articles of Incorporation and its 2013 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, Sanne (Guernsey) Limited, 3rd Floor, Natwest House, Le Truchot, St Peter Port, Guernsey, GY1 1WD, Channel Islands (e-mail: voltafinance@sannegroup.com) and from the Listing Agent, ING Bank N.V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands or from the Company's website (www.voltafinance.com).
3. 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 29 November 2013 shall be entitled to attend and/or exercise their voting rights attached to such shares at the AGM.
4. Should the Class B shareholder 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 Incorporation and the quorum requirements for the conduct of Special Business are set out under Articles 16(3)–(7). The consideration of Special Business, if applicable, 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. In accordance with Dutch regulatory requirements, the Notice period for an AGM of the Company is 42 days.

John Bishop.

For and on behalf of

SANNE GROUP (GUERNSEY) LIMITED
COMPANY SECRETARY
18 OCTOBER 2013

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP

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VOLTA FINANCE LIMITED ANNUAL REPORT AND ACCOUNTS 2013