VOLTA FINANCE LIMITED

INTERIM REPORT AND ACCOUNTS
FOR THE PERIOD 1 AUGUST 2010 TO 31 JANUARY 2011

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FORWARD-LOOKING STATEMENTS

This interim 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 interim 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 Interim 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.

INTERIM HIGHLIGHTS

- Net Asset Value ("NAV") of €139.4 million (€4.53 per share) at 31 January 2011, a significant increase of 41.4% from €98.6 million (€3.25 per share) at 31 July 2010

- An interim dividend of €0.22 per share for the semi-annual period from 1 August 2010 to 31 January 2011 has been declared by the Board of Directors

- Net profit of the Company for the semi-annual period was €18.6 million, or €0.61 per share, taking into account the reversals of previously recognised impairments on 9 residual tranches and 1 mezzanine tranche of CLOs[a] and the mark-to-market gains on assets held at fair value through profit or loss and derivative financial instruments

- The results for the semi-annual period reflect both a significant improvement in the general economic and financial situation and also the ability of the Company's assets to benefit from it

- The assets held by the Company generated €10.3 million of interest or coupons in cash over the semi-annual period

- The Company continued investing during the semi-annual period. A net amount of €8.7 million was invested during the period, mainly in mezzanine debt tranches of CLOs, senior tranches of Corporate Credit portfolios and short-term AAA European ABS[b] assets. As a consequence, the cash holding went from 5.6% of the NAV of the portfolio at the beginning of the period to 1.3% at the end of January 2011

- As of 31 January 2011, the Company held investments in three underlying asset classes (CDOs[c], Corporate Credits and ABS)

- For the coming semi-annual period, the Company intends to continue investing mainly in mezzanine debt tranches of CLOs, senior tranches of Corporate Credit portfolios and short-term AAA European ABS assets, but also to switch some existing assets for assets with higher or less uncertain expected cash flows. Depending on the tightening of discount margins for tranches of CLOs and Corporate Credit tranches, the Company could consider investing in mezzanine tranches of ABS. The Company intends to continue to be very selective when pursuing its investment strategy

- Operating expenses for the semi-annual period were 1.2% of the 31 January 2011 NAV, as compared to 1.16% for the corresponding period last year.

Definitions:

[a] Collateralised Loan Obligations ("CLOs")

[b] Asset-backed Securities ("ABS")

[c] Collateralised Debt Obligations ("CDOs")

Unless defined otherwise, the capitalised terms used in this interim report and accounts 2011 have the same meaning as those used in the "Initial Public Offering ("IPO") Prospectus.

CORPORATE SUMMARY

FOR THE PERIOD ENDED 31 JANUARY 2011

THE COMPANY

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

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

INVESTMENT 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 were described in the Company's Initial Public Offering ("IPO") Prospectus and the risk factors that are described in Note 21, it seeks to attain its investment objectives by pursuing a multi-asset class investment strategy. The investment strategy focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Company. Whilst the Company's investment objectives remain unchanged, as stated in the Chairman's Statement and the Investment Manager's Report, considering the discount to par at which most of these assets could be purchased, part of the expected return for most of the recent and future investments may come from backloaded cash flows corresponding to principal payments in addition to expected ongoing cash flows. The assets that the Company may invest in either directly or indirectly include, but are not limited to: Corporate Credits; sovereign and quasi-sovereign debt; residential mortgage loans; automobile loans; student loans; credit card receivables; leases; and debt and equity instruments in infrastructure products (the "Primary Underlying Assets"). There can be no assurance that the Company will achieve its investment objectives.

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

THE INVESTMENT MANAGER

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

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

THE INVESTMENT MANAGEMENT AGREEMENT

The Company and the Investment Manager entered into an Investment Management Agreement in December 2006. The Investment Manager's appointment under that agreement may be terminated by the Company without cause on two years' advance written notice, or less at the direction of the Board of Directors. The Investment Manager informed the Board in June 2009 that it has agreed to amend the Investment Manager Agreement to reflect its decision to abandon its rights to compensation for the termination of its mandate, regardless of the reason for the termination.

ASSET VALUES

At 31 January 2011, the Company's total NAV was €139.4 million, with the NAV per share amounting to €4.53. The Company publishes its NAV on a semi-annual basis and its Gross Asset Value ("GAV") monthly.

NAV is an expression of the total value of the Company which takes into account the current fair value of the Company's investments, accruals for debtors and creditors and the amount of the Company's liabilities. The Company's total NAV at 31 January 2011 can be seen in the Statement of Financial Position on page 27 ("Total shareholders' equity" line).

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

DURATION

The Company has a perpetual life.

WEBSITE

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

LISTING INFORMATION

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

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

The closing price of the Company's listed shares quoted on Euronext Amsterdam at 31 January 2011 was €3.75 per share.

CHAIRMAN'S STATEMENT

During the semi-annual period ended 31 January 2011, Volta continued to demonstrate its ability to create value for shareholders following the worst financial and economic crisis since the 1930s.

The value of the Company's assets increased strongly. Over the period, NAV went from €98.6 million as at 31 July 2010 to €139.4 million as at 31 January 2011, reflecting the current positive environment in which Volta has been operating: a situation where experienced structured finance investors have been able to purchase assets with significant discounts and to sell some positions that offered smaller discounts.

During the semi-annual period the Company continued to focus its investments predominantly on assets that are principally exposed to Corporate Credit risk rather than residential or commercial real estate. Most investments took place in the CLO area.

This period was marked by an increase of the actual cash flows received from Volta's assets. €10.3 million of interest and coupons were collected from Volta's assets over the semi-annual period versus €8.7 million in the preceding six month period and €7.6 million during the same period last year.

The Company did not book any impairment on its assets for the semi-annual period following a review of the expected cash flows conducted as at the end of January 2011. Largely as a result of the revaluation of previously impaired assets (mostly residual tranches of CLOs) and of derivative positions, there was a profit of €18.6 million (or €0.61 per share) for the semi-annual period ended 31 January 2011, compared to a profit of €19.0 million for the previous semi-annual period ended 31 July 2010.

During the semi-annual period, the Company's investment strategy has been to take advantage of market opportunities to invest most of the cash that was available as well as executing some asset switches in order to increase or stabilise Volta's expected asset cash flows. Over the period, the equivalent of €17.3 million has been invested and assets have been sold for €7.0 million (excluding the purchase and sale of short-term ABS assets for €2.0 million and €0.9 million).

€1.7 million was held in cash at the end of the semi-annual period compared with €5.6 million at the end of July 2010. These amounts include collateral amounts posted against derivative contracts (for currency hedge).

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

DIVIDEND

The Board of Directors of Volta has decided to pay an interim dividend of €0.22 per share which amounts to €6.8 million for the semi-annual period ended 31 January 2011. This payment is based on the Company's current general objective to pay, to the extent possible and reasonable, a dividend of approximately 10% per annum of the Company's NAV excluding cash at the end of the relevant period. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by The Companies (Guernsey) Law, 2008.

OUTLOOK

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

In accordance with the Investment Manager's advice, the Company intends to favour assets that are expected to have ongoing stable cash flows at the time of purchase. Volta will continue to consider investments for which back loaded capital payments are expected to form a significant portion of the anticipated total return. It should be expected, considering the revaluation that occurred in CLO tranches during recent months, that the Company will consider investing more regularly in other structured finance assets.

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

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

JAMES GILLIGAN

Chairman

28 March 2011

INVESTMENT MANAGER'S REPORT

1. OVERVIEW

During the semi-annual period, Volta confirmed that it had emerged from the financial and economic crisis with the ability to conduct an investment strategy that creates value for its shareholders:

GENERATION OF CASH FLOWS

- **Volta's assets generated €10.3 million of interest or coupons over the semi-annual period**

Even at the height of the crisis in the spring of 2009, Volta continued generating significant cash flows from its assets despite very low valuations. During the semi-annual period under review, interest and coupons received increased once again from €8.7 million during the previous semi-annual period. These semi-annual cash flows represent 8.8% of the average value of Volta's assets during the period. Volta should continue to receive an increasing amount of interest and coupons in the upcoming semi-annual period. Furthermore, it should be noted that close to 60% of Volta's end of period GAV is made up of debt assets bought at a significant discount to par for which back-loaded par payments, instead of ongoing coupons, are expected to account for a significant portion of the anticipated rate of return.

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

- For the semi-annual period ended 31 January 2011, Volta has proposed to **pay an interim dividend of €0.22 per share (€6.8 million) in April 2011**
- Volta proposed in December 2010 a cash or scrip dividend of €0.16 per share (€4.8 million). Approximately one third of Volta shareholders elected to receive this dividend in shares. This dividend was in addition to a semi-annual dividend of €0.13 per share paid in April 2010

During the semi-annual period, the amount of actual coupon and interest payments received by Volta represented 1.6 times the dividend payment, demonstrating Volta's ability to pursue an investment strategy that facilitates a consistent dividend policy coupled with an increase in the total asset base of the Company.

INVESTMENTS

- **Volta purchased the equivalent of €17.3 million in investments €34.7 million of nominal) and sold €7.0 million of assets (€11.5 million of nominal)** (excluding short-term ABS assets purchased to improve the Company's cash management)
- **The average expected internal rate of return ("IRR") of Volta's purchases during the semi-annual period is 17.4%**

During the semi-annual period, Volta continued to concentrate its investments almost uniquely in the CLO area. The price rally on most CLO tranches in the last couple of months of the semi-annual period confirmed that it was correct to consider these assets as undervalued and demonstrated that this choice was beneficial to the Company.

Thanks to the ability of Volta to purchase assets at significant discounts, during the semi-annual period, the **total nominal amount of Volta's assets increased from €184 million to €210 million**.

All investments, except two assets that were residual tranches of CLOs, concerned assets for which, under a reasonable default scenario run at the time of purchase, full principal payment was expected at maturity. This assumption is still valid at the time of writing this report. Considering current opportunities in the market, Volta's ability to increase the principal amount of its assets is likely to slow down compared to the latest periods but should remain in the area of €5 million to €15 million for the next semester.

THE NAV OF THE COMPANY

- During the semi-annual period, **Volta's NAV went from €98.6 million, or €3.25 per share, at the end of July 2010 to €139.4 million, or €4.53 per share, at the end of January 2011**

This significant increase in NAV reflects actual improvements on current payments and on expected cash flows from Volta's assets and the ability of the Investment Manager to direct investments in assets that were rightly considered as undervalued at the time of purchase. These improvements are linked with the success of financial authorities and governments worldwide in addressing the financial and economic crises and with the global recovery led by emerging

THE NAV OF THE COMPANY (CONTINUED)

countries: economies stabilised and actual default rates decreased and were significantly below what was reflected in the beginning of period valuations.

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

NEAR TERM EXPECTATIONS

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

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

- reinvest a portion of the portfolio in order to improve the expected cash flows from the Company's portfolio. Due to the tightening of discount margin on CLO tranches some assets could be expected to be sold at significantly higher prices than their purchase price and the proceeds should be reinvested in order to maintain Volta's portfolio expected IRR in line with the objectives of the Company;
- keeping in mind the need to finance future dividend payments, to re-invest the ongoing cash flows generated by the portfolio into a larger universe than the one used during the latest periods (almost uniquely CLO tranches have been bought) in order to reflect the changes that occurred in the relative-value of structured finance asset classes during recent months. Mezzanine tranches of ABS could be considered on a case by case situation if CLO tranches of Corporate Credit tranches were to tightened significantly..

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

GENERAL OUTLOOK

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

- increase the diversification of its portfolio (from 57 assets at the beginning of the semi-annual period to 65 assets at the end of the period) even though the investments were mainly in CLO tranches;
- increase the nominal amount of Volta's assets;
- increase the ability of the portfolio to better resist economic or financial stress (most of the investments concerned mezzanine tranches of CLOs that are second, third or even higher ranked loss tranches);
- increase the level and the stability of ongoing interest and coupons received by the Company (€10.3 million of interest and coupon payments received during the semi-annual period); and
- maintain a level of expected return in line with the Company's objectives.

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

An investment company like Volta, that relies on experienced investment teams and that has few constraints in terms of ratings and almost no liabilities, has demonstrated in recent periods its ability to exploit such a situation.

A description of the principal risks and uncertainties that the Company faces is provided in Note 21 of the Notes to the Financial Statements.

2. INVESTMENTS

Whilst Volta had initially focused on investments at the residual level, the high level of discount margins during the semi-annual period on mezzanine tranches of structured finance assets has enabled the Company to purchase assets benefiting from more subordination. In line with this development, the Company purchased 14 different assets for a total of the equivalent of €17.3 million over the course of the semi-annual period ended 31 January 2011 (excluding short-term ABS assets purchased to enhance cash management):

- €14.5 million was used to purchase 11 tranches of CLO (six in US dollar, five in euro) initially rated between AA and BB (one AA, two A, five BBB and three BB tranches);
- €2.4 million was used to purchase US dollar residual tranches of CLOs (one single tranche and a portfolio of 30 tranches, Prelude, managed by AXA IM Paris); and
- €0.4 million was used to purchase a residual tranche of Corporate Credit portfolio.

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

In addition, €2.0 million was used to purchase one short-term European ABS in order to enhance the cash management of the Company. Taking into account some principal payments made during the period, the end of period value of those investments was €1.7 million.

During the semi-annual period, Volta sold €7.9 million of assets (one ABS, one low leverage tranche of CLO and two mezzanine debt of CLOs). The rationale behind these sales was to improve Volta's capability to generate cash flows and to disengage from debt tranches at rates of return that were lower than Volta's general target.

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

Table 1 – Volta Finance Asset Allocation based on mark-to-market prices (based on GAV)*

Asset classes		As at 31 January 2011 %	As at 31 July 2010 %
Corporate Credit	First loss tranches	9.8	9.9
	Mezzanine tranches	6.7	8.2
CDO	Residual tranches of CLOs	28.4	30.4
	Mezzanine tranches of CLOs	48.0	38.5
ABS		5.8	8.7
Cash		1.2	5.6

* GAV of €98.6 million as at 31 July 2010 and GAV of €140.6 million as at 31 January 2011. The valuation of each asset class takes into account the valuation of the individual assets and of the derivatives hedging the asset class. Figures do not add up to 100% due to rounding.

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

Overall, the investment strategy aims to invest in assets able to deliver an adequate return (on average, assets purchased during the semi-annual period were expected to deliver a 17.4% return under a base case scenario) even if some stress arose in credit markets. Considering their second or third loss ranking position, if default rates were twice rating agencies' expectations (everything else being equal), the return coming from the vast majority of Volta's purchases during the semi-annual period would not be materially different than the one expected at purchase.

3. INVESTMENT PORTFOLIO

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

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

3. INVESTMENT PORTFOLIO (CONTINUED)

CDOs

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

RESIDUAL TRANCHES OF CLOs

As at 31 January 2011 the Company held thirteen positions in residual tranches of loan portfolios:

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

The last position, Tennenbaum, is regularly making its payments and is a very low leverage vehicle. Tennenbaum still represents a reasonable portion of the mark-to-market value of the CDO residual holdings (26% of the bucket at the end of the semi-annual period against 34% at the beginning). The investment manager of Tennenbaum succeeded in reducing the leverage of the fund before the height of the crisis and has managed the portfolio so as to take advantage of the various investment opportunities that were allowed by the very nature of the fund. For example, this fund has the possibility to invest in debtor-in-possession or bankruptcy exit loans, or even to take equity ownership when loans default.

RESILIENCE OF PAYMENTS FROM HIGHLY LEVERAGED CLO TRANCHES

During the semi-annual period, the ten classic residual positions held since the beginning of the period generated €4.3 million of interest payments (from a valuation at €17.5 million at the end of July 2010) despite the fact that two of them were still unable to pay any interest due to the breach of over collateralisation tests. They were valued at €26 million at the end of January 2011.

The eight classic USD residual positions held since early/mid 2007 (depending on their purchase date) had accumulated payments of $31.6 million at 31 January 2011, representing 66% of their nominal value ($48 million). The two EUR residual positions held since early/mid 2007 (depending on their purchase date) had accumulated payments of €4.7 million at 31 January 2011, representing 52% of their nominal value (€9.0 million). These cash flows are not significantly different from the cash flows that were projected at the purchase date ($28.5 million and €5.4 million respectively), using the weighted average rating factor ("WARF") of each underlying portfolio at that time (between 2% and 3% of default per year was projected depending on each deal). These cash flows also compare favourably to the most up to date research that stated that on average 2006 vintage USD residual positions paid 63% of their nominal amount since inception and 2007 vintage USD residual positions paid 49%.

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

A residual position on a CLO also gives access to the amount that remains in the structure once the debt tranches are paid back (at maturity if the normal process of deleveraging the structure takes place, sooner if the deal is called by the residual holders). It 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 83% at the end of January according to the latest CLO reports available at this time. It illustrates the ability of the underlying portfolio managers to reconstitute principal value for the residual holders.

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

INVESTMENT MANAGER'S REPORT (CONTINUED)

3. INVESTMENT PORTFOLIO (CONTINUED)

RESILIENCE OF PAYMENTS FROM HIGHLY LEVERAGED CLO TRANCHES (CONTINUED)

Considering the improving but still uncertain economic picture, the Investment Manager expects defaults in both the US and European loans markets to continue occurring in the short to medium term but at a more moderate pace than that observed during the last 24 months.

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

As at 31 January 2011, the average price of the Company's eleven classic residual positions held over the semi-annual period (61.7% of par) reflect on average a reasonable scenario of defaults with still a significant level of discount margin. It could be compared to the average latest quarterly payment of 5.7% (including the deals that are not currently paying). These deals, on average, are priced for less than three years of cash flows (considering latest cash payments) for assets that are supposed to pay excess cash flows for a remaining period of at least three to four years and to receive some par amount later.

The average price of the residual holdings does not seem to reflect the possibility that the current situation (default rate that permits ongoing payments for most of the structures) could continue for some time and could even improve as it is generally expected (rating agencies are expecting default rates to continue decreasing in 2011 relative to 2010).

Table 2 – List of CDO Residual Holdings as of 31 January 2011

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
TENNENBAUM OPPORTUNITIES FUND V	7.3	Residual of CLO	High yield bonds loans	Tennenbaum Capital Partners LLC	USA	N/A	Wachovia Bank
WASATCH CLO LTD	2.7	Residual of CLO	Broadly syndicated loans	Invesco	USA	USG94608AB57	JP Morgan
BATALLION CLO 2007-I LTD - EQUITY	2.6	Residual of CLO	Broadly syndicated loans	Brigade Capital Management	USA	USG08887AA27	Deutsche Bank
SANDS POINT FUNDING LTD*	2.3	Residual of CLO	Middle market loans	Guggenheim	USA	USG7800DAA93	Deutsche Bank
NORTHWOODS CAPITAL VIII LIMITED*	2.1	Residual of CLO	Broadly syndicated loans	Angelo Gordon	USA	USG6666RAB18	JP Morgan
GALAXY VII CLO LTD*	1.9	Residual of CLO	Broadly syndicated loans	AIG	USA	USG25796AB20	Morgan Stanley
GOLDENTREE LOAN OPP. IV LTD*	1.9	Residual of CLO	Broadly syndicated loans	Golden Tree	USA	USG39607AC37	Deutsche Bank
LIGHTPOINT PAN-EUROPEAN CLO 2006 PLC*	1.9	Residual of CLO	Broadly syndicated loans	Lightpoint	Europe	XS0282169803	Credit Suisse
LIGHTPOINT CLO V, LTD*	1.9	Residual of CLO	Broadly syndicated loans	Lightpoint	USA	USG5487GAG31	Credit Suisse
PRELUDE	1.4	Fund of Residual of CLO	Broadly syndicated loans	AXA IM Paris	USA	XS0213954802	Wachovia Bank
OAK HILL EUROPEAN CREDIT PARTNERS II PLC*	0.9	Residual of CLO	Broadly syndicated loans	Oak Hill	Europe	XS0300349700	Deutsche Bank
CARLYLE HY PART IX*	0.9	Residual of CLO	Broadly syndicated loans	Carlyle Management	USA	KYG1908R1048	Lehman Brothers
DENALI Capital V	0.3	Residual of CLO	Broadly syndicated loans	Denali Capital LLC	USA	US24821MAB46	JP Morgan

* Subordinated notes.

3. INVESTMENT PORTFOLIO (CONTINUED)

MEZZANINE TRANCHES OF CLOs

As at 31 January 2011, the Company held 39 positions in mezzanine tranches of CDOs accounting for 48% 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, these investments have been in tranches initially rated between BB (second loss position) and AA (generally fifth loss position).

These positions were purchased between March 2008 and November 2010. Each asset, at the time of purchase, was expected to repay its principal in full at maturity and to be able to sustain a certain level of stress. Depending on the ability to find opportunities in the market and on the timing of the purchases, the Company has been able to purchase assets with different levels of initial subordination and IRR. On average, the expected IRR of these assets was 16% at the time of purchase under a base case scenario.

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

As at the end of the semi-annual period, one of the 39 mezzanine tranches of CLOs was unable to pay its coupon, the Class E tranche of Alpstar II, but payments are expected to be honoured later according to information that has been given to the Company. According to the most recent report on this CLO, the Class E tranche could be reasonably expected to resume paying its coupon in May 2011.

Considering the current market and economic circumstances, some of these positions could suffer delays in their payments from time to time. However, with a reasonable economic scenario formed at the end of the semi-annual period, delayed payments are expected to be met in full for all the mezzanine tranches of CLOs. Nevertheless, the average price of these 39 positions, at 72% of par at the end of the period, appears to indicate somewhat of a deteriorating scenario. In other words, this average price still does not reflect the likely scenario namely, at this stage, that the vast majority of these assets should meet their expected payments.

Six of these positions (Adagio III, Alpstar II, Puma, Centurion, Apidos, Black Diamond) have structural features that could generate some early payments of principal that should be beneficial to the Company, considering that these positions were bought significantly below par. During the semi-annual period, one of these tranches paid part of its principal.

Table 3 – List of CDO Mezzanine Holdings as at 31 January 2011

Issuer	% GAV	Description of investment	Initial rating	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
OAK HILL European Credit 2007 (Class C1 Notes)	2.7	Mezzanine debt of CLO	A	Broadly syndicated loans	OAK HILL	Other	XS0300347910	Deutsche Bank
MCDONNELL Loan Opportunity	2.7	Mezzanine debt of CLO	Unrated	Broadly syndicated loans	McDonnell Investment Mgt LLC	USA	USG6016MAA11	Deutsche Bank
Boyne Valley B.V.(Class C Notes)	2.6	Mezzanine debt of CLO	A-	Broadly syndicated loans	AIB Capital Markets plc	Europe non-UK	XS0235642971	JP Morgan
Cheyne Credit Opportunity CDO I (Class IV Notes)	2.3	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Cheyne Capital Management Ltd	Europe non-UK	XS0243225728	Nomura
PUMCL 2008 (Class E Notes)	2.1	Mezzanine debt of CLO	BB	Broadly syndicated loans	M&G Investment Management Ltd	Europe non-UK	XS0368831896	RBS
OAK HILL European Credit Part (Class E Notes)	2.0	Mezzanine debt of CLO	BB	Broadly syndicated loans	OAK HILL	Europe non-UK	XS0300349379	Deutsche Bank
ICE 1 Emerg CLO (Class A3 Notes)	1.8	Mezzanine debt of CDO	AA	Emerging Debt	ICE Canyon LLC	Other	USG4746PAD09	Citigroup

3. INVESTMENT PORTFOLIO (CONTINUED)
Table 3 – List of CDO Mezzanine Holdings as at 31 January 2011 (CONTINUED)

Issuer	% GAV	Description of investment	Initial rating	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
BATALLION CLO 2007-I LTD (Class E Notes)	1.6	Mezzanine debt of CLO	BB	Broadly syndicated loans	Brigade Capital Management	USA	USG08889AF79	Deutsche Bank
LIGHTPOINT CLO V (Class C Notes)	1.6	Mezzanine debt of CDO	BBB	Broadly syndicated loans	Lightpoint	USA	USG5487GAD00	Credit Suisse
Madison Park Funding 6 (Class E Notes)	1.6	Mezzanine debt of CDO	BB	Broadly syndicated loans	Credit Suisse Alternative Capital	USA	USG5744QAA34	Merrill Lynch International
BATALLION CLO 2007-I LTD (Class D Notes)	1.5	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Brigade Capital Management	USA	USG071322AE14	Deutsche Bank
Limerock 1 (Class D Notes)	1.5	Mezzanine debt of CLO	BB	Broadly syndicated loans	Invesco	USA	US532623AH83	Credit Suisse
LAURELIN (Class D1 Notes)	1.4	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Golden Tree Asset Management LP	Europe non-UK	XSO305010711	Barclays Capital
DUANE STREET CLO (Class D Notes)	1.3	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Dimaio Capital	USA	US26358BAL27	Morgan Stanley
Centurion 10 (Class E notes)	1.3	Mezzanine debt of CLO	BB	Broadly syndicated loans	River Source Investments LLC	USA	US15132PAA12	Morgan Stanley
Leveraged Fin Cap IV (Series IV Notes)	1.3	Mezzanine debt of CLO	BBB	Broadly syndicated loans	BNP Paribas Structure	Europe non-UK	XS0269248398	BNP Paribas
Oryx 1X (Class D Notes)	1.3	Mezzanine debt of CLO	BBB	Broadly syndicated loans	AXA IM	Europe non-UK	XS0230415373	UBS
ALPSTAR CLO 2 PLC (Class E Notes)	1.2	Mezzanine debt of CLO	BB-	Broadly syndicated loans	Alpstar Management Jersey Ltd	Europe non-UK	XS0291723079	Bank of America
RMF Euro CDO (Class II Notes)	1.2	Mezzanine debt of CLO	AA	Broadly syndicated loans	PEMBA Credit Advisors	Europe non-UK	XS0292424024	BNP Paribas
HARVEST CLO IV (Class C Notes)	1.1	Mezzanine debt of CLO	A	Broadly syndicated loans	Mizuho Corporate Bank London	Europe non-UK	XS0189775249	Merrill Lynch International
APIDOS 2006 3 (Class C Notes)	1.1	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Apidos Capital Management	USA	US03761KAG31	Morgan Stanley
Adagio III CLO (Class C Notes)	1.1	Mezzanine debt of CLO	A	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262682148	Lehman Brothers
H1776 CLO – (Class D Notes)	1.0	Mezzanine debt of CLO	BBB	Broadly syndicated loans	W.R.Huff Asset Management	USA	US81806PAE07	Deutsche Bank
Green Lane CLO (Class C Notes)	1.0	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Guggenheim	USA	US393106AJ84	Wachovia Bank N.A.
EURO-GALAXY CLO B.V. (Class E Notes)	0.9	Mezzanine debt of CLO	BB	Broadly syndicated loans	AIG Global Investments	Europe non-UK	US29871UAG31	AIG Global Investments
Leveraged Fin Cap II (Series II Notes)	0.8	Mezzanine debt of CLO	AA-	Broadly syndicated loans	BNP Paribas Structure	Europe non-UK	XS0174376151	BNP Paribas
Colts 2007 1X (Class D Notes)	0.8	Mezzanine debt of CLO	BBB	Middle Market Loans	Structured Asset Investors LLC	Other	USG23108AC01	Wachovia Bank N.A.
GALAXY 2007 VII (Class E Notes)	0.7	Mezzanine debt of CLO	BB	Broadly syndicated loans	AIG Global Investments	USA	US36317KAA51	Morgan Stanley
Adagio II CLO (Class D Notes)	0.7	Mezzanine debt of CLO	BBB	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0237058424	Merrill Lynch International
Guggenheim 1888 Fund LTD (Class C Notes)	0.7	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Guggenheim	USA	USG6752LAD58	Wachovia Bank N.A.
Apidos CDO 2006 (Class E Notes)	0.6	Mezzanine debt of CLO	BB	Broadly syndicated loans	Apidos Capital Management	USA	US03761NAA00	Morgan Stanley

3. INVESTMENT PORTFOLIO (CONTINUED)

Table 3 – List of CDO Mezzanine Holdings as at 31 January 2011 (CONTINUED)

Issuer	% GAV	Description of investment	Initial rating	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
LIGHTPOINT 2005 III (Class C Notes)	0.5	Mezzanine debt of CDO	BBB	Boadly syndicated Loans	Lightpoint	USA	USG54885AE11	Credit Suisse
Century CDO 2007 (Class E Notes)	0.5	Mezzanine debt of CDO	BB	Boadly syndicated Loans	River Source Investments LLC	USA	US15134UAA88	Morgan Stanley
Atrium CDO (Class D Notes)	0. 5	Mezzanine debt of CLO	BB	Broadly syndicated loans	CSAS	USA	US049629AF50	CSFB
Colts Trust CLO (Class C Notes)	0.3	Mezzanine debt of CLO	BBB	Middle Market Loans	Ares Management/Ivy Hill AM	Other	USG23108A083	Wachovia Capital Markets
Octagon IP XI (Class D Notes)	0.3	Mezzanine debt of CLO	BB	Broadly syndicated loans	Octagon Investment Partners	USA	USG67245AF09	Citigroup / GS
Leopard CLO BV (Class E Notes)	0.3	Mezzanine debt of CLO	BB	Broadly syndicated loans	Prudential M&G	Europe non-UK	XS0251752472	RBS
Black Diamond CLO 2005 (Class E Notes)	0.2	Mezzanine debt of CLO	BB	Broadly syndicated loans	Black Diamond Capital Management	USA	XS0232465202	Bear Stearns

ABS

As at 31 January 2011, the Company's investments in this asset class, representing €8.2 million, could be split into three different buckets: one deal backed by German small and medium enterprise ("SME") loans (Promise Mobility), represents 76% of the fair value of the asset class; one position in a European short-term ABS, represents 21%; and six residual income positions backed by UK non-conforming residential loans valued at almost zero.

The six UK non-conforming residual positions held by the Company were valued at €0.2 million as at 31 January 2011. As already disclosed in previous reports, these valuations reflect the low probability that these assets will pay minimal cash flows in the future. This situation is the direct consequence of the high level of delinquencies and losses that have been observed since 2007 on this kind of investment due to the UK financial and housing crisis.

Promise Mobility is a first loss position on a highly diversified portfolio (1,453 positions according to the latest report) of loans made to German SMEs. Since inception, this portfolio has suffered a reasonable number of loan defaults and workouts, together generating €9.9 million of losses from a portfolio of €2.4 billion, which is below our expectations at the time of purchase. During the semi-annual period, the level of delinquency has decreased (according to the latest report on Promise Mobility, 31 positions are in workout for €22 million) after a significant increase in the previous semi-annual period. Overall, and considering the latest report, the past performance of this deal suggests that the expectations formed at purchase have not been invalidated. The German and global economic situation, despite a strong improvement, is still uncertain and an increase in the amount of losses in the coming periods could affect the payments received from Promise Mobility and could lead to a change in original assumptions.

At the end of the semi-annual period, the Company's portfolio included one position in short-term European ABS asset valued at a total of €1.7 million. It is expected that the Company will continue to invest in short-term AAA European ABS in order to improve its cash management as cash or near cash assets need to be maintained mainly to fund dividends, margin calls and general Company expenses.

3. INVESTMENT PORTFOLIO (CONTINUED)

Table 4 – List of ABS Holdings as at 31 January 2011

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
PROMISE MOBILITY 2006–1 GmbH	4.4	Residual of ABS	German SME	IKB	Europe non-UK	NA	Deutsche Bank
Fastnet Securities PLC	1.2	Senior tranche of ABS	Europe Residential mortgages	Irish Life and permanent PLC	Europe non-UK	XS0369429161	BNP Paribas
EUROSAIL 2006–1 PLC	0.2	Residual of ABS	UK non-conforming residential mortgage loans	SPML	UK	XS0254441081	Lehman Brothers
RMAC SECURITIES NO.1 PLC (Series 2007–NS1)	0.0	Residual of ABS	UK non-conforming residential mortgage loans	GMAC-RFC	UK	XS030812470	HSBC – RBS
ALBA 2007–1 PLC	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0301709621	Credit Suisse
ALBA 2006–2 PLC	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0271780651	Credit Suisse
NEWGATE FUNDING PLC 2006–2	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Mortgage Plc	UK	XS0259286101	Merrill Lynch International
ALBA 2006–1 PLC	0.0	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0255043050	Credit Suisse

CORPORATE CREDIT

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

As at 31 January 2011, the exposure to Corporate Credits was through six investments in tranches of Corporate Credit portfolios ("bespoke CSOs"), representing 16.5% of the end of period GAV.

Three of those positions (ARIA III, Jazz III euro and Jazz III USD residual positions), which are valued at €12.8 million, are first loss positions in credit portfolios.

The three others, valued at €10.4 million, are senior or mezzanine debt tranches of Corporate Credit portfolios (the initially AAA-rated USD tranche of Jazz III, the initially A-rated tranche of Jazz III and the initially AAA-rated tranche of Dryden XVII). ARIA III and Jazz III are Corporate Credit portfolios managed by AXA IM Paris. Prudential IM manages Dryden XVII.

3. INVESTMENT PORTFOLIO (CONTINUED)

Table 5 – List of Corporate Credit Holdings as at 31 January 2011

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
ARIA CDO III (IRELAND) PLC	6.7	Bespoke CDO Tranche	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0375442307	JP Morgan
JAZZ III CDO – AB - Junior AAA debt	5.4	Mezzanine debt of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	US47215CAB19	Merrill Lynch International
JAZZ III CDO (IRELAND) PLC	2.0	Residual of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263617374	Merrill Lynch International
Dryden XVII - Junior AAA Debt	1.7	Senior tranche of CSO	Majority investment grade corporate credit	Prudential IM	USA	USG7546RAP40	UBS
JAZZ III CDO (IRELAND) P.L.C. – CA - A debt	0.3	Mezzanine debt of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0262646697	Merrill Lynch International
JAZZ III CDO (IRELAND) P.L.C	0.3	Residual of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263615675	Merrill Lynch International

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

Table 6 – ARIA III CDO: Technical specifications

	At 31 July 2010	At 31 January 2011
Nominal Size	€25 million	€25 million
WARF (S&P)*	386	381
Number of names	173	182
Attachment/detachment points	0.00% – 1.83% (61% of nominal)	0.00% – 1.84%
Remaining principal	€15 million	€15.3 million

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

Table 7 – Jazz III CDO: Technical Specifications

		At 31 July 2010	At 31 January 2011
Euro-denominated tranche			
	Nominal size	€8.6 million	€9.6 million
	Number of names	374	394
USD-denominated tranche			
	Nominal size	USD 2.0 million	USD 2.0 million
	Number of names	386	402

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

3. INVESTMENT PORTFOLIO (CONTINUED)

CORPORATE CREDIT (CONTINUED)

Regarding ARIA III, the Investment Manager has stabilised the credit risk of the underlying portfolio, as measured by S&P through the WARF, and increased the level of diversification considering the 182 different positions that constituted the underlying portfolio as at 31 January 2011. Considering the loss of principal already incurred due to the Lehman Brothers Holding Inc. default (in 2008), and the possibility of further defaults in conjunction with the WARF of its underlying portfolio, only a portion of ARIA III's nominal is expected to be paid at maturity.

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

Both ARIA III and JAZZ III portfolios have an exposure to one Corporate Credit name that could be considered as having a high probability of defaulting: Seat Pagine Gialle SpA. As at 31 January 2011, it represents 0.85% of the Jazz III underlying portfolio and 0.20% of the ARIA III underlying portfolio. Considering a standard recovery of 30% for this position, such default will imply a loss of respectively 11% and 16% of the cash flows to be paid by ARIA III and Jazz III residual positions, relative to what could have been paid without this default. The probability of such loss is factored into the end of period valuation of these positions as is the exposure to Republic of Greece already disclosed in previous monthly reports.

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

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

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

4. UNDERSTANDING THE GAV OF THE COMPANY

According to Volta's valuation policy, GAV is calculated using prices received by banks or brokers for all but two of Volta's assets. The exceptions being Promise Mobility which is model–based using a discount rate of 20% on projected cash flows and Tennenbaum, a loan fund that is valued using the value of their underlying assets.

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

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

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

To illustrate these scenarios, constant annual default rates have been simulated for the underlying loans portfolio of Volta's CLO positions, on average, at 3.2% (WARF), 4.8% (1.5*WARF) and 6.4% (2*WARF). These three figures are greater than the average default rate for these deals for 2010.

For all Volta's assets, except Tennenbaum, Promise Mobility, very short-term ABS assets, UK non-conforming residuals (valued at almost zero) and cash, it has been possible to generate expected cash flows under these scenarios using appropriate tools (for example Intex for CLOs). These simulations concerned 59 assets, representing €118.2 million of assets, 86% of the GAV or €3.84 per share and gave the following results:

Table 8 – Valuation of part of Volta's assets depending on default scenarios and on discount rates*

	GAV Value (€m)	Discount rate	WARF (€m)	1.5*WARF (€m)	2*WARF (€m)
First loss tranches of Corporate Credit	12.3	15%	21.3	16.1	11.0
Mezzanine debt of Corporate Credit	10.1	10%	11.9	11.9	11.9
First loss tranches of CLOs	28.4	15%	34.1	30.4	19.7
Mezzanine debt of CLOs	67.4	10%	67.8	67.7	67.7
Total (€million)	118.2		135.1	126.1	110.3
GAV per share of assets tested	3.84		4.39	4.10	3.58

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

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

It should be mentioned that mezzanine debt of Corporate Credit, also insensitive to the default scenario proposed herein, are priced with a discount rate greater than 10%.

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

5. FOREIGN EXCHANGE HEDGE OF USD INVESTMENTS

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

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

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

The contracts used to apply this strategy are collateralised (€0.9m at the end of January 2011 was posted by the Company) and are in place with two different counterparties in order to minimise the counterparty risk incurred by the Company through these contracts.

6. OUTLOOK

During the semi-annual period, the overall investment strategy of the Company has been successfully adjusted in line with the changing market environment whilst pursuing the Company's objectives. The Company pursues the increase and the diversification of its asset base mostly through investments in mezzanine debt tranches of CLOs. No investments were realised in the ABS area (except very short-term and senior European ABS for cash management purposes) as the risks associated with this kind of investment, including the extension risk, were not considered to be appropriately priced relative to other asset classes for which we have been able to observe, according to our internal metrics, undervaluation (typically CLO tranches).

6. OUTLOOK (CONTINUED)

This strategy contributed significantly to the stabilisation of interest and coupon amounts received by the Company. For the semi-annual period, the Company's Board proposed a €0.22 per share dividend. It represents €6.8 million and corresponds to close to 60% of the semi-annual interest and coupons received by the Company during the period. This means that nearly 30% of the interest and coupons are used for reinvestment, after considering the payments of the Company's operating costs.

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

Table 11 – Nominal amounts of Volta's assets (€m)

	End of period nominal amounts			
	July 2009	January 2010	July 2010	January 2011
First loss tranches of Corporate Credit	25.3	25.3	25.4	26.3
Mezzanine tranches of Corporate Credit	-	14.7	15.6	14,9
First loss tranches of CDOs	37.4	46.1	51.8	62.8
Mezzanine debt tranches of CDOs	31.1	61.2	77.0	94.2
ABS (including near cash ABS asset)	13.3	15.7	14.0	11.8
cash	27.7	4.2	5.5	1.7
Total Nominal (excluding cash)	107.0	162.9	183.8	210.0
Change from previous date due to USD appreciation	n/a	1.5	5.9	(2.9)

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

Between July 2010 and January 2011, a period during which the cash held by Volta decreased by a modest €3.8m, the Company was able to increase the nominal amount of its assets by nearly €28 million through reinvestments despite a negative impact from the conversion of USD assets into euro of €2.9m.

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

Considering the current market conditions and the significant increase in price that occurred on most of Volta's assets, it can be expected that the Company will disengage from some positions at discount yields that are substantially below Volta's target.

The investment strategy will focus on reinvesting such sale proceeds and ongoing cash flows in order to maintain the expected IRR of Volta's portfolio above 10%. Considering the rally that occurred on CLO tranches, it could be expected, if this rally was to continue, that upcoming investments will be spread amongst a larger universe than the one that was mostly used during the last 18 months (CLO tranches). Mezzanine tranches of ABS would be considered in such circumstances.

At the time of writing this report, our general view on the current economic and financial crisis is that the worst may be considered over but that the overall situation is generating some new challenges, at least for sovereign budgets and for banks' balance sheet. This latest point could be a source of opportunities for managers of structured products considering the willingness of banks to sell some of their positions or exposures. Recent events in North Africa and in the middle east as well as the dramatic earthquake and its consequences in Japan could bring some volatility and add uncertainties to an overall scenario that was expected to be characterized by modest economic growth but relatively stable as governments and central banks have been deeply involved for some time. Such an environment should continue to be relatively favourable for Corporate Credit and should help reducing some uncertainties that were caused by the 2008/2009 economic crisis (as an example the deleveraging of the US consumer is well engaged). The easing of stresses in certain areas of investment could also be a source of opportunities.

6. OUTLOOK (CONTINUED)

As for the valuation of Volta's assets at the end of the semi-annual period, overall, it continues to reflect a significant discount of ongoing cash flows resulting from stress default scenarios. This continues to give some room for improvement both on a valuation and effective cash flows basis.

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

AXA INVESTMENT MANAGERS PARIS

28 March 2011

PORTFOLIO VALUATION

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

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

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

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

- **Case A:** financial assets for which quoted prices are available from a third party in a liquid market are valued monthly on the basis of quoted bid prices. In this regard, for liquid assets, an external market pricing service may be the source of price quotations.
- **Case B:** in the case of investments where the fair value of the investment can be readily ascertained by reference to the market values of liquid underlying assets, the counterparty or sponsor generally provides the valuation of the investment position using the mark-to-market valuation of the underlying assets (minus, where applicable, the investment's internal funding or other liability). In this case, the Investment Manager agreed in the Investment Management Agreement to report semi-annually to the Company on how the valuations used by the counterparty on underlying assets from time-to-time compare to valuations from an external third-party pricing service.

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

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

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

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

DIRECTORS, MANAGEMENT, ADMINISTRATION AND ADVISORS

VOLTA FINANCE LIMITED

Company registration number: 45747 (Guernsey, Channel Islands)

REGISTERED OFFICE

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E-mail: volta.finance@mourant.com
Website: www.voltafinance.com

DIRECTORS

James Gilligan – Chairman and Independent Director
Christian Jimenez – Senior Independent Director
Joan Musselbrook – Independent Director
Pavlos Varotsis – Independent Director

AUDITORS

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

COMPANY SECRETARY, ADMINISTRATOR, REGISTRAR AND CORPORATE SERVICE PROVIDER

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INVESTMENT MANAGER

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United Kingdom

LISTING AGENT AND PAYING AGENT

ING Bank N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

RESPONSIBILITY STATEMENT
IN RESPECT OF THE FINANCIAL STATEMENTS

Each of the Directors, whose names and functions are listed on page 22, confirms that, to the best of their knowledge and belief:

- the unaudited condensed set of interim financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and performance of the Company; and
- the Chairman's Statement and the Investment Manager's Report constitute Volta's interim management report for the six month period ended 31 January 2011, which contains a fair review of that period together with a description of the principal risks and uncertainties that the Company faces.

This responsibility statement was approved by the Board of Directors on 28 March 2011 and was signed on its behalf by:

James Gilligan	**Christian Jimenez**
Chairman	Senior Independent Director

28 March 2011

INDEPENDENT REVIEW REPORT

TO VOLTA FINANCE LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2011 which comprises the unaudited condensed statement of financial position, unaudited condensed income statement, unaudited condensed statement of comprehensive income, the unaudited condensed statement of changes in shareholders' equity and unaudited condensed statement of cash flows and the related notes on pages 30 to 50 and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement letter dated 10 February 2011. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Euronext rules.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRS. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2011 is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

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

DERMOT A. DEMPSEY

FOR AND ON BEHALF OF KPMG CHANNEL ISLANDS LIMITED

CHARTERED ACCOUNTANTS AND RECOGNISED AUDITORS

28 March 2011

- 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.

UNAUDITED CONDENSED INCOME STATEMENT

FOR THE PERIOD ENDED 31 JANUARY 2011

	Notes	**1 August 2010 to 31 January 2011 €**	1 August 2009 to 31 January 2010 €
OPERATING INCOME			
Deposit interest income	6	**5,123**	8,030
Income on available-for-sale securities and investments at fair value through profit or loss	6	**10,172,175**	6,999,684
Net (expense)/income on settlement of foreign exchange swaps and options	6	**(839,632)**	105,410
		9,337,666	7,113,124
OPERATING EXPENDITURE			
Legal fees		**(11,845)**	(11,412)
Audit fees		**(97,506)**	(140,038)
Investment management fees		**(671,913)**	(368,002)
Investment Manager incentive fees		**(439,857)**	-
Custodian fees		**(9,400)**	(15,971)
Portfolio valuation and administration fees		**(25,435)**	(24,664)
Company secretarial, administration and accountancy fees	7	**(130,476)**	(127,927)
Directors' remuneration	8	**(159,789)**	(171,538)
Insurance		**(42,318)**	(81,181)
Other operating expenses		**(67,486)**	(52,844)
		(1,656,025)	(993,577)
OPERATING PROFIT		**7,681,641**	6,119,547
REALISED AND UNREALISED PROFITS/(LOSSES)			
Gain/(loss) on foreign exchange swaps and options	6	**1,949,893**	(992,565)
Gain on financial assets at fair value through profit or loss	6	**192,841**	1,412,120
Foreign exchange (loss)/gain on available-for-sale securities	6	**(2,444,876)**	842,112
Reversal of impairments previously recognised on available-for-sale debt securities	6	**10,515,886**	13,064,377
Net foreign exchange gain on other assets	6	**42,325**	28,063
Net realised gain on available-for-sale securities	6	**193,599**	336,846
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	6	**470,964**	-
		10,920,632	14,690,953
FINANCE EXPENSES			
Liquidity facility fee		**38,125**	-
PROFIT FOR THE PERIOD		**18,640,398**	20,810,500
Gain per ordinary share			
Basic	10	**0.6102**	0.6875
Diluted	10	**0.6102**	0.6875
		Number of shares	
Weighted average ordinary shares outstanding			
Basic	10	**30,550,425**	30,267,908
Diluted	10	**30,550,425**	30,267,908

The Notes on pages 30 to 50 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 JANUARY 2011

		1 August 2010 to 31 January 2011 €	1 August 2009 to 31 January 2010 €
PROFIT FOR THE PERIOD		**18,640,398**	20,810,500
OTHER COMPREHENSIVE INCOME			
Net unrealised gain on available-for-sale securities recognised in the period	6	**26,036,937**	9,353,840
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	6	**(470,964)**	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**25,565,973**	9,353,840
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**44,206,371**	30,164,340
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		**44,206,371**	30,164,340

The Notes on pages 30 to 50 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2011

	Notes	**31 January 2011 €**	31 July 2010 €
ASSETS			
Available-for-sale securities	11	**126,256,961**	84,259,670
Financial assets at fair value through profit or loss	12	**8,550,560**	8,134,604
Open foreign exchange swaps and options	13	**41,177**	-
Trade and other receivables	14	**4,167,466**	3,487,668
Cash and cash equivalents	15	**1,744,654**	5,565,471
TOTAL ASSETS		**140,760,818**	101,447,413
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	17	**-**	-
Share premium	18	**2,010,866**	523,561
Warrants	19	**1,410,000**	1,410,000
Other distributable reserves	20	**251,844,379**	256,700,276
Net unrealised fair value movements on available-for-sale securities	20	**10,949,139**	(14,616,834)
Accumulated loss	20	**(126,794,370)**	(145,434,768)
TOTAL SHAREHOLDERS' EQUITY		**139,420,014**	98,582,235
LIABILITIES			
Current liabilities			
Open foreign exchange swaps and options	13	**-**	1,908,716
Trade and other payables	16	**1,340,804**	956,462
TOTAL EQUITY AND LIABILITIES		**140,760,818**	101,447,413
Net asset value per ordinary share outstanding			
Basic		**€4.5296**	€3.2524
Diluted		**€4.5296**	€3.2524

These Condensed Interim Financial Statements on pages 25 to 50 were approved by the Board of Directors on 28 March 2011 and were signed on its behalf by:

James Gilligan

Chairman

Christian Jimenez

Senior Independent Director

The Notes on pages 30 to 50 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD ENDED 31 JANUARY 2011

	Notes	Ordinary shares €	Share premium €	Warrants €	Other distributable reserves €	Accumulated loss €	Available-for-sale securities unrealised losses €	Total €
Balance at 31 July 2009		—	405,990	1,410,000	263,667,202	(185,251,386)	(21,797,397)	58,434,409
Net unrealised gain on available-for-sale securities recognised in the period	6	—	—	—	—	—	9,353,840	9,353,840
Total other comprehensive income for the period	6	**—**	**—**	**—**	**—**	**—**	9,353,840	9,353,840
Net profit for the period	20	—	—	—	—	20,810,500	—	20,810,500
Total comprehensive income for the period	20	**—**	**—**	**—**	**—**	20,810,500	9,353,840	30,164,340
Issue of ordinary shares to Directors	8	—	65,593	—	—	—	—	65,593
Dividend paid	9	—	—	—	(3,028,071)	—	—	(3,028,071)
Balance at 31 January 2010		**—**	471,583	1,410,000	260,639,131	(164,440,886)	(12,443,557)	85,636,271
Balance at 31 July 2010		**—**	523,561	1,410,000	256,700,276	(145,434,768)	(14,616,834)	98,582,235
Net unrealised gain on available-for-sale securities recognised in the period	6	—	—	—	—	—	26,036,937	26,036,937
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	6	—	—	—	—	—	(470,964)	(470,964)
Total other comprehensive income for the period	6	**—**	—	—	—	—	25,565,973	25,565,973
Net profit for the period	20	—	—	—	—	18,640,398	—	18,640,398
Total comprehensive income for the period	20	**—**	—	—	—	18,640,398	25,565,973	44,206,371
Issue of ordinary shares to Directors	8	—	49,800	—	—	—	—	49,800
Scrip dividend paid		—	1,437,505	—	(1,437,505)	—	—	—
Dividend paid	9	—	—	—	(3,418,392)	—	—	(3,418,392)
Balance at 31 January 2011		—	**2,010,866**	**1,410,000**	**251,844,379**	**(126,794,370)**	**10,949,139**	**139,420,014**

The Notes on pages 30 to 50 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 JANUARY 2011

	Notes	**1 August 2010 to 31 January 2011 €**	1 August 2009 to 31 January 2010 €
Cash flows generated from operating activities			
Profit for the period		**18,640,398**	20,810,500
Adjustments for:			
Income on available-for-sale securities and investments at fair value through profit or loss		**(10,172,175)**	(6,999,684)
(Gain)/Loss on foreign exchange swaps and options		**(1,949,893)**	992,565
Gain on financial assets at fair value through profit or loss		**(192,841)**	(1,412,120)
Coupons received		**10,324,913**	7,618,374
Foreign exchange loss/(gain) on available-for-sale securities		**2,444,876**	(842,112)
Reversal of impairments previously recognised on available-for-sale debt securities		**(10,515,886)**	(13,064,377)
Net Realised gain on available-for-sale securities		**(193,599)**	(336,846)
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		**(470,964)**	-
Net foreign exchange gain on other assets		**(42,325)**	-
Increase in trade and other receivables		**(16,123)**	(558,984)
Increase/(Decrease) in trade and other payables		**384,342**	(60,143)
Directors' fees paid in the form of shares		**49,800**	65,593
Cash generated from operating activities		**8,290,523**	6,212,766
Cash flows used in investing activities			
Purchase of investments		**(19,160,358)**	(31,358,928)
Proceeds from sales and redemptions of investments		**10,425,085**	4,688,600
Net cash used in investing activities		**(8,735,273)**	(26,670,328)
Cash flows used in financing activities			
Dividend paid		**(3,418,392)**	(3,028,071)
Net cash used in financing activities		**(3,418,392)**	(3,028,071)
Net decrease in cash and cash equivalents		**(3,863,142)**	(23,485,633)
Cash and cash equivalents at beginning of the period		**5,565,471**	27,672,532
Effect of exchange rate fluctuations on cash and cash equivalents		**42,325**	28,063
Cash and cash equivalents at end of the period	15	**1,744,654**	4,214,962

Cash generated from operations

Cash generated from operations for the period of €8,290,523 includes the following interest receipts:

	1 August 2010 to 31 January 2011 €	1 August 2009 to 31 January 2010 €
Deposit interest	**5,123**	8,030

The Notes on pages 30 to 50 form part of these Condensed Interim Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JANUARY 2011

1. REPORTING ENTITY

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

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

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

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 July 2010. The financial statements of the Company as at and for the year ended 31 July 2010 were 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").

New standards and interpretations adopted during the period

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

2. BASIS OF PREPARATION (CONTINUED)

A) STATEMENT OF COMPLIANCE (CONTINUED)

Applicable new standards and interpretations issued but not yet effective

IFRS 9 (revised April 2009) "Financial Instruments – Classification and Measurement" effective for annual periods beginning on or after 1 January 2013. This standard provides guidance on recognition, classification and measurement of financial assets and financial liabilities. The standard contains two primary measurement categories: amortised cost ; and fair value. It is currently the intention of the Directors that the Company should apply IFRS 9 for its accounting period commencing 1 August 2013, but the position will be reviewed prior to 31 July 2011 and will be reported upon in the annual report to 31 July 2011.

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

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.

D) USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- Note 4 (determination of fair values); and
- pages 20 and 21 (portfolio valuation).

3. SIGNIFICANT ACCOUNTING POLICIES

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

A) FOREIGN CURRENCIES

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) FOREIGN CURRENCIES (CONTINUED)

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

B) FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are initially recognised 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.

Classification and measurement

(i) Non-derivative financial instruments

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

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

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Embedded derivatives

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

C) SHARE CAPITAL

Ordinary shares

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

D) IMPAIRMENT

A financial asset is assessed on a semi-annual basis to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Such evidence that a financial asset is impaired includes observable data that comes to the attention of the Company about any of the following loss events:

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

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

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Events indicating a reversal of impairments include increases in fair value, events at credit level and a positive expectation regarding future cash flows. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the Income Statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in the Statement of Comprehensive Income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

E) PROVISIONS

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) FINANCE INCOME AND EXPENSES

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

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

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

Other operating expenses are accounted for on an accruals basis.

G) EARNINGS PER SHARE

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

H) TAXATION

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

I) DIVIDENDS PAYABLE

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

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

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

J) DISTRIBUTION INCOME

The full definition of Distribution Income may be found in the Company's IPO Prospectus and is reproduced on pages 51 and 52. The calculation of Distribution Income for the period can be found on page 51.

K) OFFSETTING

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

L) SEGMENT REPORTING

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Board is of the view that the Company is engaged in a single segment of business, being investment in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L) SEGMENT REPORTING (CONTINUED)

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

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

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

	31 January 2011
	€
GAV as reported to the Board at 31 January 2011	**140,603,324**
Adjustments:	
- RBSI bank accounts	**968**
- RBSI security deposit	**7,190**
- Lightpoint Pan-European coupon debtor	**92,925**
- D&O insurance prepayment	**56,411**
GAV as per statement of financial position at 31 January 2011	**140,760,818**

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

The GAV as reported by Deutsche Bank AG does not include a Lightpoint Pan-European coupon debtor of €92,925. This was received in February 2011 and the amount is treated as accrued interest as at 31 January 2011. The fair value of this investment assumes that this coupon was receivable before the period end.

The GAV as reported by Deutsche Bank AG does not include a D&O insurance prepayment.

The Company's assets held as at the period end and the geographical areas in which the Company is invested are presented in the Investment Manager's Report.

The Company held two investments which each individually represented more than 10% of the effective interest income on available-for-sale securities and investments at fair value through profit or loss. These investments were Jazz III and Aria III with income amounting to €1,106,282 and €1,518,487 respectively.

M) Share-based payment transactions

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

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

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The Company's policy on portfolio valuation is set out on pages 20 and 21.

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

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

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

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

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

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

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

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

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

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

	31 January 2011		31 July 2010	
	€m	**% NAV**	€m	% NAV
Case A	**n/a**	**n/a**	n/a	n/a
Case C (i)	**8.5**	**6.1**	8.1	8.3
Case C (ii)	**120.0**	**86.1**	78.7	79.8
Case D	**6.3**	**4.5**	5.6	5.7
	134.8	**96.75**	92.4	93.8

Further details on the valuation methodology are given on pages 20 and 21.

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

AVAILABLE-FOR-SALE DEBT SECURITIES

Some minor changes in the fair value of expected cash flows from the six UK non-conforming assets positively affected the result of the Company for the semi-annual period ended 31 January 2011 being positive €0.2 million for these assets.

During the interim period, recovery of prices of assets rated CCC or below and the slowdown in default rates at the underlying portfolio levels, confirmed by the significant increase in fair value, caused the Company to recognise the increases in value of the subordinated notes of CDOs previously impaired as a reversal of impairment, as required by IAS 39. As the subordinated notes of CDOs are classified as "available-for-sale debt securities" under IFRS, their reversal of impairment as described above positively affected the Income Statement of the Company by €10.3 million (an amount equal to the difference between their book value and their mark-to-market value as at the end of January 2011).

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" were recognised in either the current period's or prior periods' Income Statements, as the movements on revaluation of such investments were already recognised in such Income Statements.

EFFECT ON THE DISTRIBUTION INCOME CALCULATION

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

The expected cash flows from the six UK non-conforming assets previously impaired were not significantly changed at the end of January 2011. However, the slight increase of €0.2 million in the present value of the expected cash flows from these assets has been recognised in the Distribution Income.

Revisions to the expected cash flows from 10 CDOs positively affected the Distribution Income for the semi-annual period ended 31 January 2011 in amounts equal to the discounted value of the difference between the previous and the current series of expected cash flows, being positive €2.5 million for these assets.

6. FINANCE INCOME AND EXPENSE RECOGNISED IN THE INCOME STATEMENT

	1 August 2010 to 31 January 2011 €	1 August 2009 to 31 January 2010 €
Deposit interest income	**5,123**	8,030
Income on available-for-sale securities and investments at fair value through profit or loss	**10,172,175**	6,999,684
Gain on foreign exchange swaps and options	**1,949,893**	-
Gain on financial assets at fair value through profit or loss	**192,841**	1,412,120
Reversal of impairments previously recognised on available-for-sale debt securities	**10,515,886**	13,064,377
Net foreign exchange gain on other assets	**42,325**	28,063
Net income on settlement of foreign exchange swaps and options	**-**	105,410
Unrealised foreign exchange gain on available-for-sale securities	**-**	842,112
Net realised gain on available-for-sale securities	**193,599**	336,846
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	**470,964**	-
Liquidity facility fee	**38,125**	-
Finance income	**23,580,931**	22,796,642
Loss on foreign exchange swaps and options	**-**	(992,565)
Net expense on settlement of foreign exchange swaps and options	**(839,632)**	-
Foreign exchange loss on available-for-sale securities	**(2,444,876)**	-
Finance expense	**(3,284,508)**	(992,565)
Net finance income recognised in profit or loss	**20,296,423**	21,804,077
Recognised directly in equity		
Net unrealised gain on available-for-sale securities recognised in the period	**26,036,937**	9,353,840
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	**(470,964)**	-
Net finance income recognised directly in equity	**25,565,973**	9,353,840

7. COMPANY SECRETARIAL, ADMINISTRATION AND ACCOUNTANCY FEES

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

8. DIRECTORS' REMUNERATION

	1 August 2010 to 31 January 2011 €	1 August 2009 to 31 January 2010 €
Directors' fees (cash element)	**109,196**	117,783
Directors' fees (equity element, settled during the period)	**27,600**	31,500
Directors' fees (equity element, settled after the period end)	**19,199**	18,978
Directors' expenses	**3,794**	3,277
	159,789	171,538

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 January 2011 and during prior periods:

	Dividend per share €
Dividend for the interim period ended 31 January 2011 (proposed)	0.22
Dividend for the period ended 31 July 2010 (paid 12 January 2011)	0.16
Dividend for the interim period ended 31 January 2010 (paid 6 April 2010)	0.13
Dividend for the period ended 31 July 2009 (paid 25 November 2009)	0.10

10. EARNINGS PER SHARE

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

	1 August 2010 to 31 January 2011 €	1 August 2009 to 31 January 2010 €
Profit for the purposes of basic earnings per share being net profit attributable to equity holders	**18,640,398**	20,810,500
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**30,550,425**	30,267,908
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	**30,550,425**	30,267,908

The average market price, based on closing prices quoted on Euronext Amsterdam, for one ordinary share during the semi-annual period to 31 January 2011 was €3.12 (€1.38 during the six month period to 31 January 2010).

11. AVAILABLE-FOR-SALE SECURITIES

	31 January 2011 Amortised cost €	31 January 2011 Unrealised (losses)/gains €	31 January 2011 Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	**15,498,845**	**(2,600,830)**	**12,898,015**
CDO assets	**83,663,740**	**13,148,123**	**96,811,863**
ABS assets	**10,485,807**	**(4,209,484)**	**6,276,323**
	109,648,392	**6,337,809**	**115,986,201**
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	**5,659,430**	**4,611,330**	**10,270,760**
Total available-for-sale securities	**115,307,822**	**10,949,139**	**126,256,961**

Amortised cost is calculated after deduction of impairment losses recognised.

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

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 2010 to 31 January 2011 €	1 February 2010 to 31 July 2010 €
Fair value brought forward	**8,134,604**	8,514,694
Coupons received	**(1,283,828)**	(1,277,459)
Interest income accrued	**1,506,943**	1,498,318
Unrealised movement in fair value	**192,841**	(600,949)
Fair value carried forward	**8,550,560**	8,134,604

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

13. OPEN FOREIGN EXCHANGE SWAPS AND OPTIONS

Foreign exchange swaps and options are classified as financial instruments at fair value through profit or loss and are held to hedge some of the currency exposure generated by non-Euro assets held by the Company. 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 USD/EUR cross rate.

14. TRADE AND OTHER RECEIVABLES

	31 January 2011	31 July 2010
	€	€
Prepayments	**56,411**	40,287
Accrued effective interest receivable	**4,103,865**	3,440,191
Security deposit	**7,190**	7,190
	4,167,466	3,487,668

15. CASH AND CASH EQUIVALENTS

	31 January 2011	31 July 2010
	€	€
Deposit accounts	**1,744,654**	5,565,471

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

16. TRADE AND OTHER PAYABLES

	31 January 2011	31 July 2010
	€	€
Investment management fees	**671,913**	565,660
Investment Manager incentive fees	**439,857**	-
Directors' fees (cash payable)	**44,796**	51,800
Directors' fees (shares payable)	**19,198**	22,200
Accrued expenses and other payables	**165,040**	316,802
	1,340,804	956,462

17. SHARE CAPITAL

Authorised:

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

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

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

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

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

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

17. SHARE CAPITAL (CONTINUED)

Issued and fully paid:

	Ordinary number of shares	B share number of shares	C shares number of shares	Warrants Number of shares
Balance at 31 July 2009	**30,214,514**	**1**	**—**	**3,000,000**
Issued to Directors during the period	66,198	—	—	—
Balance at 31 January 2010	**30,280,712**	**1**	**—**	**3,000,000**
Issued to Directors during the period	29,958	—	—	—
Balance at 31 July 2010	**30,310,670**	**1**	**—**	**3,000,000**
Issued to Directors during the period	20,760	—	—	—
Scrip dividend paid	448,324	—	—	—
Balance at 31 January 2011	**30,779,754**	**1**	**—**	**3,000,000**

The IPO of ordinary shares on 20 December 2006 was priced at €10 per share. Shares have subsequently been issued to the Directors on a quarterly basis in respect of 30% of their fees at the following prices per share: €9.49; €9.37; €7.80; €7.00; €6.32; €3.90; €2.80; €1.74; €0.52; €0.84; €1.23; €1.53; €1.88; €2.13; and €2.67. During the period a scrip dividend was paid whereby 448,324 shares were issued at €3.2064 per share.

18. SHARE PREMIUM ACCOUNT

	Ordinary €	B share €	C shares €	Warrants €
Balance at 31 July 2009	**405,990**	**—**	**—**	**1,410,000**
Issued to Directors during the period	65,593	—	—	—
Balance at 31 January 2010	**471,583**	**—**	**—**	**1,410,000**
Issued to Directors during the period	51,978	—	—	—
Balance at 31 July 2010	**523,561**	**—**	**—**	**1,410,000**
Issued to Directors during the period	49,800	—	—	—
Scrip dividend paid	1,437,505	—	—	—
Balance as 31 January 2011	**2,010,866**	**—**	**—**	**1,410,000**

19. WARRANTS

	2011	2010
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	**€3.75**	€2.40
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 Losses €
As at 31 July 2009	(185,251,386)	263,667,202	(21,797,397)
Profit for the period	20,810,500	—	—
Net unrealised gain on available-for-sale securities recognised in the period	—	—	9,353,840
Dividend paid	—	(3,028,071)	—
As at 31 January 2010	(164,440,886)	260,639,131	(12,443,557)
As at 31 July 2010	(145,434,768)	256,700,276	(14,616,834)
Profit for the period	18,640,398	-	-
Net unrealised gain on available-for-sale securities recognised in the period	-	-	26,036,937
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	-	-	(470,964)
Scrip dividend paid	-	(1,437,505)	-
Dividend paid	-	(3,418,392)	-
As at 31 January 2011	**(126,794,370)**	**251,844,379**	**10,949,139**

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 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.

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 some of these assets, banks and other market participants are currently unwilling to disclose either the key model inputs or the discount rates that have been used to produce such valuations. In such circumstances, the valuation continues to be sourced from such arranging bank, or other market participant, despite the lack of valuation assumptions.

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

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 continuously and is communicated and monitored by the Board through the quarterly business report on a quarterly basis.

The table below 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.

Interest rate profile as at 31 January 2011

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
Euro deposit accounts	Floating	**Eonia – 25bp**	**1,166,925**
USD deposit accounts	Floating	**Libor USD Overnight – 25bp**	**574,611**
GBP deposit accounts	Floating	**SONIA Overnight – 40bp**	**3,118**
			1,744,654
Available-for-sale securities:			
AFS (denominated in euro)	Fixed/Floating	**17.42%**	**48,384,257**
AFS (denominated in USD)	Fixed/Floating	**19.45%**	**77,647,562**
AFS (denominated in GBP)	Fixed/Floating	**20.00%**	**225,142**
			126,256,961
Financial assets at fair value through profit or loss (EUR)	Floating	**6 month Euribor + 15.50%**	**8,550,560**
Trade and other receivables	Non-interest bearing	**n/a**	**4,167,466**
Derivative contracts	Non-interest bearing	**n/a**	**41,177**
			12,759,203
Financial liabilities			
Trade and other payables	Non-interest bearing	**n/a**	**1,340,804**
Derivative contracts	Non-interest bearing	**n/a**	**-**
			1,340,804

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK (CONTINUED)

Interest rate profile as at 31 July 2010

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
Euro deposit accounts	Floating	Eonia – 25bp	2,931,826
USD deposit accounts	Floating	Libor USD Overnight – 25bp	2,195,751
GBP deposit accounts	Floating	SONIA Overnight – 40bp	437,894
			5,565,471
Available-for-sale securities:			
AFS (denominated in euro)	Fixed/Floating	16.98%	32,050,849
AFS (denominated in USD)	Fixed/Floating	19.27%	52,208,227
AFS (denominated in GBP)	Fixed/Floating	20.00%	594
			84,259,690
Financial assets at fair value through profit or loss (EUR)	Floating	6 month Euribor + 15.50%	8,134,604
Trade and other receivables	Non-interest bearing	n/a	3,487,668
			11,622,272
			101,447,413
Financial liabilities			
Trade and other payables	Non-interest bearing	n/a	(956,462)
Derivative contracts	Non-interest bearing	n/a	(1,908,716)
			(2,865,178)

CURRENCY RISK

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

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

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

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

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

CURRENCY RISK (CONTINUED)

Currency risk profile as at 31 January 2011

	Denominated in Euro €	Denominated in USD €	Denominated in GBP €
Investments:			
Available-for-sale debt securities	**48,384,257**	**67,376,802**	**225,142**
Financial assets at fair value through profit or loss	**8,550,560**	**-**	**-**
Available-for-sale equity securities	**-**	**10,270,760**	**-**
	56,934,817	**77,647,562**	**225,142**
Cash and cash equivalents	**1,166,925**	**574,611**	**3,118**
Trade and other receivables	**2,847,558**	**1,312,711**	**7,197**
Trade and other payables	**(1,290,315)**	**(3,917)**	**(46,572)**
Derivative contracts	**41,177**	**-**	**-**
	59,700,162	**79,530,967**	**188,885**

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

Amount bought €	Amount sold currency	Number of positions	Unrealised gain/(loss) €
EUR	USD		
134,038,922	(185,800,000)	33	41,177

Currency risk profile as at 31 July 2010

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

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

Amount bought €	Amount sold currency	Number of positions	Unrealised gain/(loss) €
100,694,320	USD 143,500,000	30	(1,908,716)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

VALUATION RISK

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

Furthermore, where the Company acquires investments for which there is not a readily available market, the Company’s ability to obtain reliable information about the resale value of such investments or risks to which such investment is exposed may be limited. Illiquidity contributes to uncertainty about the values ascribed to investments when net asset value determinations are made, which can cause those determinations to vary from amounts that could be realised if the Company were to seek to liquidate its investments. The Company could also face some difficulties when collecting reliable information about the value of its assets if all or part of the contributors for such information were to experience significant business difficulties or were to suspend relative market activities. This could affect the timing and determination process when assessing the value of the Company's 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.

CREDIT RISK (INCLUDING COUNTERPARTY RISK)

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

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

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

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

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

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (INCLUDING COUNTERPARTY RISK) (CONTINUED)

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

Substantially all of the cash held by the Company is held at Deutsche Bank AG, London Branch ("Deutsche Bank"). Bankruptcy or insolvency by Deutsche Bank may cause the Company's rights with respect to the cash held 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.

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

RISK RELATING TO DERIVATIVES

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

CONCENTRATION RISK

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

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

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

REINVESTMENT RISK

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

LIQUIDITY RISK

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

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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

MATURITY PROFILE

The following tables show the maturity of the current borrowings under the facilities, rather than the maturity over the whole life of the facilities and the expected maturity of the securities, rather than the legal maturity date.

Maturity profile as at 31 January 2011

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	**1,744,654**	**-**	**-**
Available-for-sale securities	**5,717,512**	**25,063,101**	**95,476,348**
Financial assets at fair value through profit and loss	**-**	**8,550,560**	**-**
Trade and other receivables	**4,167,466**	**-**	**-**
Derivative contracts	**(929,679)**	**970,856**	**-**
	10,699,953	**34,584,517**	**95,476,348**
Financial liabilities			
Trade and other payables	**1,340,804**	**-**	**-**
	1,340,804	**-**	**-**

Maturity profile as at 31 July 2010

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

RISKS RELATING TO LEVERAGED EXPOSURE

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

CAPITAL RISK MANAGEMENT

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

There were no changes in the Company's approach to capital management during the semi-annual period.

22. RELATED PARTY DISCLOSURE

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER

For disclosure of Directors' remuneration, please see note 8. As at the period end, Directors' fees to be paid in cash of €44,796 (31 July 2010: €51,800) had been accrued but not paid. Directors' fees to be paid in shares of €19,198 (31 July 2010: €22,200) had been accrued but not paid.

As at 31 January 2011, the Directors of the Company controlled 0.71% (2010: 1.02%) of the voting shares of the Company. A number of the key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of any transactions with key management personnel and their related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Under the Investment Management Agreement, the Investment Manager is entitled to receive a management fee from the Company at a rate of 1.5% per annum of the portion of the Company's NAV that is less than €200,000,000, and 1.75% per annum on the portion of the 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 period the management fees accrued were €671,913 (semi-annual period ended 31 January 2010: €368,002; semi-annual period ended 31 July 2010: €565,660). The total fees accrued were outstanding as at 31 January 2011 and as at 31 July 2010.

Under the terms of the Investment Management Agreement, the Investment Manager is also entitled to receive an incentive fee, which is payable in arrears in respect of each semi-annual period ending 31 July and 31 January. An incentive fee is payable if the Company's Performance" during a semi-annual period, as measured by the Distribution Income, exceeds the Hurdle Amount as defined in the Company's IPO Prospectus, subject to a "look-back" period commencing 18 months prior to the beginning of such semi-annual period. In such a case, the incentive fee is calculated at the rate of 25% of the Performance of the Company in excess of the Hurdle Amount. During the period incentive fees were accrued in the amount of €439,857. The total fees accrued were outstanding as at 31 January 2011.

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

However, with respect to ARIA III and the original purchases of first loss tranches of Jazz III (EUR 8.6m nominal and USD 2.0m nominal), there is no duplication of Investment Management fees as adjustment for these investments is made in the calculation of the Investment Management fees payable by the Company.

All other investments in products managed by the Investment Manager were made by way of 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.

23. COMMITMENTS

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

24. SUBSEQUENT EVENTS

Since the end of the semi-annual period ended 31 January 2011, nothing significant directly affected credit markets that are of importance for the Company and the prices of assets held by the Company have continued to increase.

However it should be mentioned that events in north Africa and in the middle east as well as the dramatic earthquake and its consequences in Japan increased economic uncertainties. These events provoked a widening in credit spreads and in the discount margins of structured credit assets like the ones held by Volta. At the time of writing it seems that these events, as long as no significant deterioration is observed, should not have serious and durable consequences for credit markets and the recent widening should be considered as investment opportunities.

24. SUBSEQUENT EVENTS (CONTINUED)

Corporate Credit

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

ABS

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

CDO

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

Distribution Income is a non-IFRS financial measure that has been devised to express the Company's intentions with respect to the distribution of dividends. Other companies may define Distribution Income or similar terms differently.

It should be noted that the Board of Directors, when deciding a dividend payment for the semi-annual period or when proposing a dividend payment at the Annual General Meeting refers to the end of period value of the portfolio and to the ongoing cash flows generated by the Company's assets instead of using the Distribution Income.

DISTRIBUTION INCOME CALCULATION (UNAUDITED)

FOR THE PERIOD ENDED 31 JANUARY 2011

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

CALCULATION

	1 August 2010 to 31 January 2011 €	1 August 2009 to 31 January 2010 €
Net IFRS profit/(loss) per the Income Statement	**18,640,398**	20,810,500
Less: reversal of impairments previously recognised on available-for-sale debt securities per the Income Statement	**(10,515,886)**	(13,064,377)
Add: reversal of impairments previously recognised on available-for-sale debt securities) for the purpose of determining the Distribution Income	**5,862,065**	11,813,874
Less: net realised gain on available-for-sale securities, previously recognised in equity in prior periods as a net unrealised gain, transferred from equity to the Income Statement	**(470,964)**	—
Less: net realised gain on available-for-sale securities per the Income Statement	**(193,599)**	—
Less: gain on financial assets at fair value through profit or loss per the Income Statement	**(192,841)**	(1,412,120)
Add: net foreign exchange gains, net of hedging gains/(losses), for the purpose of determining the Distribution Income	**452,658**	122,390
Add: Incentive fees incurred during the period	**439,857**	—
Distribution Income	**14,021,688**	18,270,680

OBJECTIVES

The Company's IPO Prospectus dated 4 December 2006 described Distribution Income 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 the Distribution Income is currently no longer relevant with respect to this principal purpose. However, the Distribution Income remains relevant for the purpose of calculation of the Investment Manager's Incentive Fee, if any, as described in note 22 (Related Party Disclosure).

The net income of the Company established under IFRS, amongst other items, takes into account gains and losses arising on the disposal of investments, gains and losses arising on the revaluation of investments classified as being held at fair value through the Income Statement (including derivative financial instruments) and losses due to the impairment of investments. It also includes foreign exchange gains and losses in respect of these items. The Company obtains its exposure to certain classes of investments through the use of derivative financial instruments. In accordance with IFRS, changes in the fair value of such instruments are included in the Company's Income Statement.

Given the nature of the Company's investments and its investment objectives, the Board has concluded that in determining the amount of Distributable Income in respect of these items, it should take into account: (i) changes in the fair value of derivative positions that it determines should be characterised as interest; (ii) both (a) losses arising on the disposal of investments and (b) unrealised losses and impairment losses but only to the extent that such losses are in the Board's view representative of a decrease in the cash flows expected to be received from the investment and not for example attributable to increases in market interest rates; and (iii) for assets where the cash flows are hedged, any portion of gain or loss (realised or unrealised) on the related hedging instrument insofar as such gain or loss relates to interest income or any impairment loss on the asset.

DEFINITION

Distribution Income will be, for any relevant calculation period, based on the net income reported in the Company's Income Statement prepared in accordance with IFRS but will exclude:

- any impairment losses (whether on assets held by the Company or its subsidiaries or included in changes in the fair value of related derivative financial instruments) in excess of the impairment losses which would have been recorded had the carrying value of the assets in question been calculated to equal the present value of the expected cash flows using a discount rate equal to the original effective interest rate on the relevant asset (i.e. on an amortised cost basis);

DEFINITION (CONTINUED)

- realised and unrealised gains other than (i) gains that are determined to represent interest income on underlying investments that the Company holds through derivative financial instruments or equivalent to interest income on the derivative financial instruments themselves, and (ii) such other gains as the Board may from time to time, in its discretion decide to distribute to shareholders, provided that, if the Board decides to include any unrealised gain with respect to any asset in Distribution Income for any Incentive Period, (a) the Incentive Fee otherwise payable to the Investment Manager in that Incentive Period with respect to the contribution of such unrealised gain to the Distribution Income shall be placed by the Company into a segregated trust account established for that purpose and (b) to the extent that any portion of such unrealised gain is realised for any subsequent Incentive Period, (1) such portion of the gain so realised shall be excluded from Distribution Income for that subsequent Incentive Period, but (2) the deferred Incentive Fee relating to such portion of the gain so realised shall be released to the Investment Manager (even in the event that an Incentive Fee is not otherwise payable in respect of that subsequent Incentive Period;
- except as described in the foregoing point, gains and losses attributable to the revaluation of investments held at fair value through the Income Statement, including derivatives (other than impairment losses, the treatment of which is discussed above);
- income attributable to impaired assets in excess of the income which would have been recognised on those assets calculated on an amortised cost basis; and
- foreign exchange gains and losses attributable to movements in the fair value of the “clean’’ price (without accrued but unpaid interest) of investments on which the cash flows are hedged, foreign exchange and other hedging gains and losses other than those stated under “Objectives’’ above or other transactions achieving the same purpose.

Distribution Income will include income classified as interest income in any event.

Distribution Income will be determined prior to any allowance being made for Incentive Fees (that is, Distribution Income will be an amount from which Incentive Fees are deducted in establishing the aggregate amount of a dividend).

The Investment Manager will advise the Board from time to time concerning whether realised gains or other gains should, in the Investment Manager’s view, be included in Distribution Income.

REPORTING

In addition to the disclosures required by IFRS, the Company will disclose along with its interim and annual financial statements a calculation of Distribution Income, which will take into account (a) an analysis of the net gains or losses on derivative financial instruments distinguishing between (i) interest, (ii) any losses attributable to the impairment of reference assets and (iii) other gains and losses, (b) an analysis of any impairment losses calculated on a fair value basis and on an amortised cost basis and (c) an analysis of income from impaired assets in excess of the amount which would be calculated on an amortised cost basis.

IMPAIRMENT

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

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