VOLTA FINANCE LIMITED

INTERIM REPORT AND ACCOUNTS

FOR THE PERIOD 1 AUGUST 2009 to 31 JANUARY 2010

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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 €85.6 million (€2.83 per share) at 31 January 2010; a significant increase of 47% from €58.4 million at 31 July 2009
- An interim dividend of €0.13 per share for the semi-annual period from 1 August 2009 to 31 January 2010 has been declared by the Board of Directors
- Net profit of the Company for the semi-annual period was €20.8 million, or €0.69 per share, taking into account the increase in value of the previously impaired residual tranches of CLOs[a] and the mark-to-market gains of 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 but also the ability of the Company's assets to benefit from it
- The assets held by the Company generated €7.6 million of interest or coupons in cash over the semi-annual period
- After a lull in investing, the Company resumed during the semi-annual period. €31.4 million has been invested, 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 47.4% of the NAV of the portfolio at the beginning of the period to 4.9% at end of January 2010
- As of 31 January 2010, the Company held investments in three Primary Target 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 similar assets with higher or less uncertain expected cash flows. The Company intends to continue being very selective when pursuing its investment strategy
- Operating expenses for the semi-annual period were 1.16% of the 31 January 2010 NAV.

Definitions:

[a] Collateralised Loan Obligations ("CLOs")

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

[c] Collateralised Debt Obligations ("CDOs")

Unless defined otherwise, the capitalized terms used in this Interim Report and accounts 2010 have the same meaning as those used in the IPO's Prospectus

CORPORATE SUMMARY

FOR THE PERIOD ENDED 31 JANUARY 2010

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 was granted consent on 4 December 2006 to raise funds through the issue of shares under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959, as amended. Under new rules that came into effect in 2008, the Company has elected to remain recognised as an authorised closed-ended collective investment scheme, rather than change to being treated as a registered 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 IPO prospectus and the risk factors that are described in Note 20, 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; Collateralised Debt Obligations ("CDOs"); and Asset-Backed Securities ("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.

In February 2010, the infrastructure activity that was originally part of AXA IM Paris was transferred to AXA Private Equity, another subsidiary of AXA Investment Managers. This activity had previously been delegated to AXA Private Equity in 2007.

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 2010, the Company's total Net Asset Value ("NAV") was €85.6 million, with the NAV per share amounting to €2.83. 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 2010 can be seen in the Statement of Financial Position on page 23 (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 2010 was €1.45 per share.

CHAIRMAN'S STATEMENT

During the semi-annual period ended 31 January 2010, most of the financial markets responded positively to the ample measures taken by financial authorities and governments to face the global financial and economic crisis. During the same period, Volta's Investment Manager conducted a significant and successful investment programme that positively contributed to the NAV increase.

As a consequence of that the value of the Company's assets increased strongly. Over the period, the NAV went from €58.4 million as at 31 July 2009 to €85.6 million as at 31 January 2010.

Over the period the Company confirmed, through its reinvestment programme, its current investment strategy of focusing its investments predominantly on assets that are principally exposed to corporate credit risk rather than residential or commercial real estate.

This semi-annual period was marked by a stabilisation, and in some cases improvements in the last months of the period, of the actual cash flows received from Volta's assets. The Company did not recognise any new impairments on its assets for the period following a review of the expected cash flows conducted as at the end of January 2010. Under this review many of the assets, particularly the residual positions in CLOs, realised or are expected to realise cash flows higher than were anticipated six months ago.

There was a profit of €20.8 million (or €0.69 per share) for the semi-annual period ended 31 January 2010, compared to a profit of €4.0 million for the previous period ended 31 July 2009.). During this semi-annual period the Company confirmed the upturn in the performance of its portfolio mentioned in the most recent Annual Report.

The assets held by the Company continued to generate cash flows: €7.6 million of interest or coupons in cash for the semi-annual period ended 31 January 2010 compared with €8.3 million for the previous period ended 31 July 2009.

During the period, the Company's investment strategy was to take advantage of market opportunities and invest most of the cash that was available as opposed to retaining it, during the period from October 2008 to June 2009. Over the period, the equivalent of €31.4 million has been invested (€24.9 million excluding short term ABS assets) and one asset has been sold for €1.4 million. €3 million was used to pay a €0.10 per share dividend on 3 December 2009. €4.2 million was held in cash at the end of the semi-annual period compared with €27.7 million at the end of July 2009.

During the period the Board of Directors continued to investigate opportunities that could reduce the difference between the market share price of the Company and its GAV per share. For example, the Board does not believe that a share buyback programme is an appropriate measure in order to close this gap since the listing rules only give a very narrow framework to these programmes that include limits in volume and price. The Board believes that the best way to strengthen the relationship between the GAV and the share price is through the pursuit of a high level of transparency. The Board has decided to continue offering a high level of information on the Company's assets and investment strategy. At the time of writing the Company is in contact with equity analysts in order to improve the coverage of the Company by the financial community and the Board remains, as usual, available to address shareholders' questions via conference calls such as the one held upon the release of this Interim Report.

DIVIDEND

The Board of Directors of Volta Finance Limited has decided to pay an interim dividend of €0.13 per share which amounts to €3.9 million for the semi-annual period ended 31 January 2010. This 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 net assets excluding cash at the end of the relevant period. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008.

OUTLOOK

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

In accordance with the Investment Manager's advice, the Company intends to favour assets that are expected to have ongoing stable cash flows at the time of purchase. Whilst the Company's investment objectives remain unchanged, Volta may consider investments for which backloaded capital payments are expected to form a significant portion of the anticipated total return.

Depending on the ability to execute trades at reasonable prices in a still relatively illiquid market, some trades could consist of switching positions into almost similar transactions which, at the time of the switch, the Investment Manager anticipates a better trade off relative to expected cash flows.

CHAIRMAN'S STATEMENT (CONTINUED)

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

PETER CROOK

Chairman

26 March 2010

INVESTMENT MANAGER'S REPORT

1. OVERVIEW

Volta Finance Limited closed the semi-annual period ended 31 January 2010 with a NAV of €85.6 million, or €2.83 per share, up from €58.4 million or €1.93 per share, for the annual period ended 31 July 2009. In December 2009, a dividend of €0.10 per share was paid to shareholders.

Over the period and including the December 2009 dividend payment, this 52% increase in the value of Volta's assets was mainly due to the ability of the Company' assets to generate cash flows as well as improvements arising from favourable views of market participants on the asset classes in which Volta invests:

- As a matter of fact, the twelve classical residual tranches of CLOs held by Volta, valued at €1.9 million at the end of the previous period were valued at €13.6 million by the end of this semi-annual period. This change reflects some improvement in actual cash flows received from these assets as well as a significant change in sentiment amongst market participants about expected cash flows.
- As regards the CDO asset class, the mezzanine tranches were valued at €5.6 million at the end of the previous period, whereas at the end of the semi-annual period under review and including €16.7 million of new investments, the same bucket was valued at €31.3 million. This improvement was reflecting the decline in discounted margin required by market participants to hold this type of assets.

The vigorous actions conducted by financial authorities and governments worldwide to address the financial and economic crisis have successfully stabilised economies and restored some calm to most financial markets. Structured finance assets that were at the epicentre of the crisis clearly benefited from such improvement.

At the end of the semi-annual period, twelve-month rolling default rates in most of the credit sectors were continuing to decline and are expected, by rating agencies and most market participants, to continue to do so for the coming months.

In its latest Annual Report, the Company clearly stated its readiness to resume investing based on the consideration that the outlook for potential investments had sufficiently improved to do so. During the period;

- €17.1 million were invested in the CDO asset class, predominately in mezzanine tranches of CLOs:
- €6.8 million (net of sold assets) were invested in three Corporate Credit deals; and
- net of principal payments, €3.3 million were invested in short-term ABS assets in order to improve the cash management of the Company.

As at the end of January 2010, the mezzanine tranches of CLOs represented 36% of the Company's NAV against 10% of the NAV (€6.1 million) one year earlier, indicating the ability of the Company to adapt its investment strategy to circumstances. These assets at purchase offered an average expected IRR of 17%.

Taking into account the increase in the prices of previously impaired residual tranches of CLOs as well as the mark-to-market variations of other derivatives and embedded derivatives, the Company made a net profit of €20.8 million (or €0.69 per share) for the semi-annual period ended 31 January 2010.

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

- To sell and reinvest a small portion of the portfolio in order to improve the cash flows that are expected from the Company's portfolio: Depending on the liquidity in the market, some assets could be sold for assets of a similar nature but from which cash flows are expected to be higher or less uncertain; and
- To re-invest the ongoing cash flows generated by the portfolio in line with the investment strategy that has been conducted over the re cent period, keeping in mind the need to finance fut ure divid end payments, other expenses and potential margin calls relating to the Company's currency hedge positions.

Over the semi-annual period, the Company's investments generated €7.6 million of cash through interest and coupons.

As at the end of January 2010, the fair value of Volta's assets still reflected a difficult economic scenario despite the significant price increases made over the period. As an indication of how Volta's assets are valued, the residual of CLO positions (excluding Tennenbaum and Confluent which are not classic residual positions) generated during the semi-annual period €3.3 million of cash flow and were priced, at the end of January at €13.4 million (less than 2 years of payments considering current cash flows for assets that are supposed to pay for a remaining period of three to five years).

1. OVERVIEW (CONTINUED)

Despite the somewhat less uncertain economic environment, the value and the cash flows from Volta's assets are likely to continue being volatile, but the economic recovery that is taking place, if it continues, should allow the performance and the value of Volta's assets to continue to improve. However as most of the economic recovery has been fuelled by significant Government spending; the demonstration of the recovery's self-sustainability is still to be confirmed as economic uncertainties are still present.

An overview of the risks and uncertainties connected with the Company's business is available in Note 20 of the Notes to the Financial Statements.

2. INVESTMENTS

Volta seeks to attain its investment objectives by pursuing a multi-asset class investment strategy that has focused on three asset classes during the semi-annual period: Corporate Credit, CDO and short-term senior ABS.

Whilst Volta had initially focused on investments at the residual level, the significant widening of discount margins over the most recent quarters has enabled the Company to purchase assets benefiting from more subordination protection. In line with this development, the Company purchased 16 different assets for a total of €24.9 million over the course of the semi-annual period ended 31 January 2010 (excluding short-term ABS assets purchased to enhance cash management):

- €16.7 million were used to purchase eleven tranches of CLO (five in US dollar, six in euro) initially rated between BB and AA (five BBB, two A, three AA and one combo Note made of a AA and a BB tranches);
- €7.9 million were used to purchase four tranches of Corporate Credit portfolio initially rated AAA and A (three AAA tranches from Jazz III, Dryden XVII and Valleriite; one A tranche from Jazz III). One of the AAA tranches has been sold with a gain of €0.3 million during the period; and
- €0.4 million were used to purchase a low leverage residual position (Confluent).

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

In addition, €6.7 million was used to settle purchases of 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 €3.4 million.

It should be noted that, since the end of the semi-annual period and at the time of writing this Report, the Company has invested €0.5 million in one low-leverage residual CLO position.

In addition to re-investments made during the semi-annual period, important variations in the relative performance of asset classes have also changed the Company's asset allocation since 31 July 2009.

Table 1 – Volta Finance Asset Allocation Based on Mark-to-Market Prices (based on GAV)*

Asset classes		At 31 January 2010 (%)	At 31 July 2009 (%)
Corporate Credit		20.1	14.7
CDO	Residual tranches of CLO	26.7	15.5
	Mezzanine tranches of CLO	36.7	10.2
ABS		11.7	12.9
Cash		4.9	46.7

* GAV of €59.1 million as at 31 July 2009 and GAV of €86.8 million as at 31 January 2010. 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. At the end of the period the portfolio consisted of 52 assets compared to 34 assets at the beginning of the period.

Overall, the investment strategy of the Company has been to refrain from investing at the height of the crisis and to resume investing after Spring 2009, and widen its range of investments. This has proved to be a beneficial policy.

3. INVESTMENT PORTFOLIO

As at 31 January 2010, 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 made of corporate risk positions (CDS on corporate or corporate loans).

CDOs

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

RESIDUAL TRANCHES OF CLOs

As at 31 January 2010 the Company's holdings of residual tranches of CLOs were valued at €23.6 million and consisted of 14 positions that can be split into two sub categories: twelve classic residual tranches of CLOs (ten mostly backed by US leveraged loans and two by European leveraged loans, with an implicit leverage of around ten times) and two residual positions with no or very limited leverage (maximum 2.5 times).

All these positions have been adversely affected by the increase in default rates and by the reduction of the ratings of part of their underlying loans to or below CCC at some point in time in the past. For most of these structures, especially the classic residual tranches, payments to residual holders are highly sensitive to the weight and the price of CCC or lower-rated loans in the underlying portfolio, as well as to actual losses incurred through defaults or trading. At the end of the period thanks to the 2009 rally in leveraged loan prices, especially for the worst rated loans, cash payments from the residual tranches of CLOs started to resume.

As at the end of January 2010, eleven of the 14 positions (79%) in residual tranches of CLOs were paying regular cash flows. This ratio compares favourably with a ratio of 60% of CLOs in the market paying regular cash flows, according to recent studies available to the investment community. According to the CLO's deal reports available at the end of January 2010, cushion above the last over-collateralisation test of Volta's ten US dollar residual tranches of CLOs is 1.90%. This compares with 0.20% for a large panel of US dollar residual tranches of CLOs, illustrating again the quality of the Company's portfolio.

As an illustration of the recent improvement of the payments coming from these assets, cash flows received from the twelve classic residual tranches increased from €1.6 million to €2.1 million between the first three months of the semi-annual period and the last three months.

Considering the ongoing challenging economic picture, the Investment Manager expects the defaults in both the US and European loan markets, to continue occurring in the short to medium term but at a more moderate pace than that observed during the last twelve months. Despite the possibility for most of the residual tranches of CLOs to benefit from improvement if and when some positions rated CCC or below can be sold at a reasonable price, the occurrence of defaults should continue to affect some of Volta's residual positions. Hence, partial or full diversions of cash flows are expected to continue in the next semi-annual period and in some cases in the coming years. However, it should be noted that the vast majority of the CLOs have been able to significantly increase the weighted average spread of their underlying portfolio which contributed to the overall improvement of the 14 positions owned by the Company during this semi-annual period.

It should be noted that some consequences of the economic crisis have crystalised and the decision of the Company to invest in its CDO bucket only in CLOs (no ABS CDOs were purchased for example) and amongst CLOs mainly in residuals of US CLOs, instead of residuals of European CLOs has proved beneficial to the Company. Recent market studies highlight that, on average, cash flows from the US dollar residual of CLO positions, have started to resume their normal payment level in contrast with European residuals of CLO positions that continue to deteriorate slightly. Cash flows from residuals of ABS CDOs have generally ceased.

As at the end of January 2010, the average price of the Company's 14 positions (28% of par for the twelve classic residual tranches and 69% of par for the other two) reflected a stressed but realistic scenario.

However, these average prices do not seem to reflect the possibility that a much better performance in terms of cash flows coul d be expected if the economic recovery proves sustainable and if default rates at some point in time significantly improve as is generally expected. It also tends to ignore the ability of most of the CDO managers to actively manage their respective underlying portfolios in order to improve the situation of the residual position.

3. INVESTMENT PORTFOLIO (CONTINUED)

RESIDUAL TRANCHES OF CLOs (CONTINUED)

Tennenbaum Opportunities Fund V still represents a significant portion of the mark-to-market value of the CDO residual holdings (39% of the bucket at the end of the period against 80% at the beginning). The investment manager succeeded in reducing the leverage of the fund at 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.

Table 2 – List of CDO Residual Holdings as of 31 January 2010

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
TENNENBAUM OPPORTUNITIES FUND V	10.70	Residual of CLO	High yield bonds loans	Tennenbaum Capital Partners LLC	USA	N/A	Wachovia Bank
BATALLION CLO 2007-I LTD *	2.56	Residual of CLO	Broadly syndicated loans	Brigade Capital Management	USA	USG08887AA27	Deutsche Bank
GOLDENTREE LOAN OPPORTUNITIES IV LTD *	2.49	Residual of CLO	Broadly syndicated loans	Golden Tree	USA	USG39607AC37	Deutsche Bank
SANDS POINT FUNDING LTD *	1.99	Residual of CLO	Middle market loans	Guggenheim	USA	USG7800DAA93	Deutsche Bank
GALAXY VII CLO LTD *	1.36	Residual of CLO	Broadly syndicated loans	AIG	USA	USG25796AB20	Morgan Stanley
CONFLUENT SENIOR LOANS OPPORTUNITIES	1.14	Residual of CLO	Broadly syndicated loans	Credit Agricole Asset Management	USA	XS0262321804	Calyon
LIGHTPOINT CLO V, LTD *	1.12	Residual of CLO	Broadly syndicated loans	Lightpoint	USA	USG5487GAG31	Credit Suisse
LIGHTPOINT PAN-EUROPEAN CLO 2006 PLC *	1.04	Residual of CLO	Broadly syndicated loans	Lightpoint	Europe	XS0282169803	Credit Suisse
CARLYLE HY PART IX *	1.07	Residual of CLO	Broadly syndicated loans	Carlyle Management	USA	KYG1908R1048	Lehman Brothers
KINGSLAND III LTD *	1.00	Residual of CLO	Broadly syndicated loans	Kingsland Capital Management	USA	USG52702AB68	Wachovia Bank
OAK HILL EUROPEAN CREDIT PARTNERS II PLC *	0.93	Mezzanine debt of CLO	Broadly syndicated loans	Oak Hill	Europe	XS0300349700	Deutsche Bank
WASATCH CLO LTD *	0.80	Residual of CLO	Broadly syndicated loans	Invesco	USA	USG94608AB57	JP Morgan
OCEAN TRAILS CLO I *	0.80	Residual of CLO	Broadly syndicated loans	WG Horizons	USA	USG66999AA46	UBS
NORTHWOODS CAPITAL VIII LIMITED *	0.50	Residual of CLO	Broadly syndicated loans	Angelo Gordon	USA	USG6666RAB18	JP Morgan

* Subordinated Notes.

MEZZANINE TRANCHES OF CLOs

As at the end of January 2010, the Company held 21 positions in mezzanine tranches of CDOs accounting for 36.7% of Volta's end-of-period GAV. With the exception of one investment that is unrated but could be considered equivalent to a tranche rated BB 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).

3. INVESTMENT PORTFOLIO (CONTINUED)

MEZZANINE TRANCHES OF CLOs (CONTINUED)

These positions were purchased between March 2008 and January 2010. Each asset, at the time of purchase, was expected to repay in full its principal 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, we have been able to purchase assets with different levels of initial subordination. On average the expected IRR of these assets was 17% at the time of purchase.

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 rise in defaults in the loan market than residual holdings, given their second, third and even higher loss ranking.

As at the end of the period, two of the 21 mezzanine tranches of CLOs were currently unable to pay their coupons, the Class IV tranche of Cheyne Credit Opp CDO 1 and the Class E tranche of Alpstar II, but for the former, payments are expected to be honoured later according to information that has been passed to the Company. The Class E tranche of Alpstar II which, is the only mezzanine tranche of CLOs that has been impaired (at the end of July 2009), remains uncertain when considering its inability to meet its full payments under the scenario that has been used at the end of January 2010.

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 existing at the end of the semi-annual period default payments are expected to be met for the Mezzanine tranches of CLOs (except for the E tranche of Alpstar II). However, the average price of these 21 positions, at 54% of par at the end of the period, appears to give more credit to a deteriorating scenario. In other words, this average price does not reflect the likely scenario that the vast majority of these assets should meet their expected payments.

Three of these positions (Adagio III, Alpstar II and Puma) have structural features that could generate some early payments of principal that should be beneficial, considering that these positions were bought significantly below par.

Table 3 – List of CDO Mezzanine Holdings as at 31 January 2010

Issuer	% GAV	Description of investment	Initial rating	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging Institution
MCDONNELL Loan Opportunity	4.25	Mezzanine debt of CLO	Unrated	Broadly syndicated loans	McDonnell Investment Mgt LLC	USA	USG6016MAA11	Deutsche Bank
RMF Euro CDO (Class II Notes)	3.99	Mezzanine debt of CLO	AA	Broadly syndicated loans	PEMBA Credit Advisors	Europe non-UK	XS0292424024	BNP Paribas
ADAGIO III CLO (ClassY Notes)	3.57	Mezzanine debt of CLO	Unrated	Broadly syndicated loans	AXA Investment Managers Paris	Europe non-UK	XS0262698904	Lehman Brothers
OAK HILL European Credit 2007 (Class C1 Notes)	3.54	Mezzanine debt of CLO	A	Broadly syndicated loans	OAK HILL	Europe non-UK	XS0300347910	Deutsche Bank
PUMCL 2008 (Class E Notes)	1.95	Mezzanine debt of CLO	BB	Broadly syndicated loans	M&G Investment Management Ltd	Europe non-UK	XS0368831896	RBS
BATALLION CLO 2007-I LTD (Class D Notes)	1.90	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Brigade Capital Management	USA	USG071322AE14	Deutsche Bank
BATALLION CLO 2007-I LTD (Class E Notes)	1.80	Mezzanine debt of CLO	BB	Broadly syndicated loans	Brigade Capital Management	USA	USG08889AF79	Deutsche Bank
LAURELIN (Class D1 Notes)	1.78	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Golden Tree Asset Management LP	Europe non-UK	XSO305010711	Barclays Capital
DUANE STREET CLO (Class C1 Notes)	1.60	Mezzanine debt of CLO	AA	Broadly syndicated loans	Dimaio Capital	USA	US26358BAL27	Morgan Stanley
Adagio III CLO	1.42	Mezzanine	A	Broadly	AXA Investment	Europe	XS0262682148	Lehman

INVESTMENT MANAGER'S REPORT (CONTINUED)

(Class C Notes)		debt of CLO		syndicated loans	Managers Paris			Brothers
ALPSTAR CLO 2 PLC (Class B Notes)	1.34	Mezzanine debt of CLO	AA	Broadly syndicated loans	Alpstar Management Jersey	Europe non-UK	XS0291705928	Bank of America
H1776 CLO – Class D Notes	1.34	Mezzanine debt of CLO	BBB	Broadly syndicated loans	W.R.Huff Asset Management	USA	US81806PAE07	Deutsche Bank
Green Lane CLO (Class C Notes)	1.31	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Guggenheim	USA	US393106AJ84	Wachovia Bank N.A.
Leopard CLO BV – Class T Notes	1.30	Mezzanine debt of CLO	Unrated	Broadly syndicated loans	Prudential M&G	Europe non-UK	XS0252656532	RBS
Cheyne Credit Opportunity CDO I (Class IV Notes)	1.28	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Cheyne Capital Management Ltd	Europe Non-UK	XS0243225728	Nomura
Leveraged Fin Cap II (Series II Notes)	1.17	Mezzanine debt of CLO	AA-	Broadly syndicated loans	BNP Paribas Structure	Europe Non-UK	XS0174376151	BNP Paribas
COLTS Trust CLO (Class C Notes)	1.03	Mezzanine debt of CLO	A		Structured Asset Investors, LLC	Other	USG23108AC01	Wachovia Bank N.A.
ADAGIO III CLO PLC (Class E Notes)	0.76	Mezzanine debt of CLO	BB-	Broadly syndicated loans	AXA Investment Managers Paris	Europe Non-UK	XS0262683971	Lehman Brothers
Guggenheim 1888 Fund LTD (Class C Notes)	0.75	Mezzanine debt of CLO	BBB	Broadly syndicated loans	Guggenheim	USA	USG6752LAD58	Wachovia Bank N.A.
ALPSTAR CLO 2 PLC (Class E Notes)	0.65	Mezzanine debt of CLO	BB-	Broadly syndicated loans	Alpstar Management Jersey Ltd	Europe	XS0291723079	Bank of America
EURO-GALAXY CLO B.V. (Class E Notes)	0.35	Mezzanine debt of CLO	BB	Broadly syndicated loans	AIG Global Investments	Europe	US29871UAG31	AIG Global Investments

ABS

As at 31 January 2010, the investments of the Company in this asset class can be split into three different buckets: one deal backed by German Small and Medium Enterprise ("SME") loans (Promise Mobility), represents 65% of the fair value of the asset class; four positions in European short-term ABS, represents 34%; and six residual income positions backed by UK non-conforming residential loans represents 1%. The Company has no exposure to US residential sub-prime mortgages.

The six UK non-conforming residual positions held by the Company were valued at €52,000 at the end of January 2010 compared to €100,000 as at July 2009. As already disclosed in previous reports, these valuations reflect the very poor cash flows that are expected from these assets. This situation is the direct consequence of the high level of delinquencies and losses that have been generated 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 (1,357 positions according to the latest report) of loans made to German SMEs. Since inception, the portfolio has suffered a very limited number of loans in default or in work-out process, together generating less than €50,000 of losses from a portfolio of €2.4 billion, which is well below expectations at the time of purchase. During the semi-annual period, the level of delinquency has increased (according to the latest report seven loans are delinquent and 21 are in work out process out of the 1,357 loans) but not at a pace to suggest the expectations formed at purchase are invalid. However, the difficult German and global economic situations may increase the risk of more defaults in the coming quarters, eventually affecting the payments received from Promise Mobility.

At the end of the semi-annual period, the Company's portfolio included four positions in short-term European ABS assets valued at a total of €3.4 million. It should be 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 for funding dividends, margin calls and general Company expenses.

3. INVESTMENT PORTFOLIO (CONTINUED)

Table 4 – List of ABS Holdings as at 31 January 2010

Issuer	% GAV	Description of investment	Description of underlying asset	Manager/ servicer	Principal geographical exposure	ISIN	Arranging institution
PROMISE MOBILITY 2006–1 GmbH	7.63	Residual of ABS	German SME	IKB	Europe non-UK	NA	Deutsche Bank
HOLMES Master Issue Plc – AAA senior debt	2.28	Senior debt of ABS	Residential loans	Abbey National Plc	Other	XS0275492683	Barclays Capital
RMAC 2007-NS2 – senior AAA debt	1.43	Senior debt of ABS	UK non-conforming RMBS	GMAC-RFC	UK	XS0194465141	HSBC - RBS
Holland Euro Denominated MBS S7 – senior AAA debt	0.27	Senior tranche of ABS	Residential mortgages	SNS Bank NV	Europe non-UK	XS0177871950	SNS Bank NV
RMAC SECURITIES NO.1 PLC (Series 2007–NS1)	0.06	Residual of ABS	UK non-conforming residential mortgage loans	GMAC-RFC	UK	XS030812470	HSBC–RBS
Abest 1	0.00	Senior debt of ABS	Italian auto loans	Fiat Sava SPA	Europe Non-UK	XS0193710152	ABN Amro, UniCredit Banca Mobiliare
ALBA 2007–1 PLC	0.00	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0301709621	Credit Suisse
ALBA 2006–2 PLC	0.00	Residual of ABS	UK non-conforming residential mortgage loans	Oakwood Home Loans	UK	XS0271780651	Credit Suisse
NEWGATE FUNDING PLC 2006–2	0.00	Residual of ABS	UK non-conforming residential mortgage loans	Mortgage Plc	UK	XS0259286101	Merrill Lynch International
EUROSAIL 2006–1 PLC	0.00	Residual of ABS	UK non-conforming residential mortgage loans	SPML	UK	XS0254441081	Lehman Brothers
ALBA 2006–1 PLC	0.00	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. During the semi-annual period, thanks to the significant discount margins that were used by market participants to trade more senior assets, the Company diversified its Corporate Credit portfolio through four investments in tranches initially rated AAA or A tranches (one of these positions has subsequently been sold during the period).

As at 31 January 2010, the exposure to Corporate Credits was through six investments in tranches of Corporate Credit portfolios ("bespoke CSOs"), representing 20.1% of the end of period GAV. Three of those positions (ARIA III, Jazz III Euro and Jazz III USD residual positions), valued at €10.4 million, are first loss positions in credit portfolios. The three others, valued at €7.0 million are senior or mezzanine debt tranches of Corporate Credit portfolios (the initially rated AAA USD tranche of Jazz III, the initially rated A tranche of Jazz III and the initially rated AAA tranche of Dryden XVII). ARIA III and Jazz III are Corporate Credit portfolios managed by AXA IM Paris. Dryden XVII is managed by Prudential IM.

3. INVESTMENT PORTFOLIO (CONTINUED)

CORPORATE CREDIT (CONTINUED)

Table 5 – List of Corporate Credit Holdings as at 31 January 2010

Issuer	% GAV	Description of investment	Description of underlying asset	Manager	Principal geographical exposures	ISIN	Arranging institution
ARIA CDO III (IRELAND) PLC	11.45	Bespoke CDO Tranche	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0375442307	JP Morgan
JAZZ III CDO – AB - Junior AAA debt	5.65	Mezzanine debt of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	US47215CAB19	Merrill Lynch International
Dryden XVII - Junior AAA Debt	2.14	Senior tranche of CSO	Majority investment grade corporate credit	Prudential IM	USA	USG7546RAP40	UBS
JAZZ III CDO (IRELAND) PLC	0.58	Residual of corporate CDO	Majority investment grade corporate credit	AXA Investment Managers Paris	USA	XS0263617374	Merrill Lynch International
JAZZ III CDO (IRELAND) P.L.C. – CA - A debt	0.25	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	0.08	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 January 2010	At 31 July 2009
Nominal Size	€25 million	€25 million
WARF (S&P) *	367	382
Number of names	170	174
Attachment/detachment points	0.00% – 1.83% (61% of nominal)	0.00% – 1.82%
Remaining principal	€15 million	€15 million

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

Table 7 – Jazz III CDO: Technical Specifications

		At 31 January 2010	At 31 July 2009
Euro-denominated tranche			
	Nominal size	€8.6 million	€8.6 million
	Number of names	368	356
USD-denominated tranche			
	Nominal size	USD 2.0 million	USD 2.0 million
	Number of names	377	356

Regarding ARIA III, the Investment Manager has been able to reduce the credit risk of the underlying portfolio, as measured by S&P through the WARF, and to maintain a high level of diversification considering the 170 different positions that constituted the underlying portfolio as at the end of January. Considering the loss of principal already incurred due to the LBHI 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.

3. INVESTMENT PORTFOLIO (CONTINUED)

CORPORATE CREDIT (CONTINUED)

Regarding Jazz III, the Investment Manager has been able to significantly 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, Jazz III was considered by the Company, as at the end of January 2010, 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.

Nevertheless 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 rated AAA USD tranche of Jazz III and the initially rated A EUR tranche of Jazz III and the initially rated AAA tranche of Dryden XVII) had, at the end of the period, such a level of subordination that they were expected by the Company, at that time, 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%.

Overall, through the crisis, the Corporate Credit portfolio of the Company has been actively managed. The Investment Manager has succeeded in increasing the number of exposures and the industry diversification of the portfolio of its first loss positions and decreasing the tail risk of the asset class by adding senior tranches at attractive expected IRR.

4. HEDGE ON THE CURRENCY RISK INCURRED ON NON-EURO INVESTMENTS

Since the IPO of the Company, non-euro investments have been partially hedged into euro via simple foreign exchange swaps. Over time, the nominal amounts of swaps have been adjusted in accordance with new investments as well as with revisions of expected cash flows for existing non-euro assets.

At the end of 2008 following the US dollar rally that occurred in October 2008, the Company 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 US dollar assets to face potentially increasing margin calls.

At the end of the semi-annual period the US dollar assets of the portfolio were valued at USD58.0 million and were hedged by USD55.5 million of USD sold forward swaps (not all of them generating margin calls). The pace at which these positions can generate margin calls in case of an appreciation of the US dollar were significantly reduced by long positions on US dollar calls for a total of USD35 million financed by short positions for the same total nominal amount of USD puts.

During the semi-annual period, this strategy has been able to limit the amount called with respect to the hedge of the US dollar positions, even during the recent and significant appreciation of the US dollar against euro in 2010. It also enabled the Company to continue investing in USD assets with a partial hedge against any 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 can be altered in case of significant volatility in the US dollar/euro exchange rate. As a consequence, some gains or losses could come from the US dollar exposure.

5. ONGOING INVESTMENT STRATEGY

The overall investment strategy of the Company has been adjusted in view of the changing market environment whilst pursuing the Company's objectives. Whilst at the time of the IPO, most of Volta's positions were either first loss or residual positions. In June 2008, Volta began to invest in BB-rated or BB equivalent tranches of CLOs and since then AA, A or BBB tranches of CLOs have been regularly added to the portfolio as well as AAA or A tranches of Corporate Credit portfolios. 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, amongst them the extension risk, were not considered to be appropriately priced.

As at the end of the semi-annual period, the Company was almost fully invested. Considering the pace at which the portfolio generates cash flows, net reinvestments should be expected to be limited to a few million euro per quarter for the next quarters. The Company's investment strategy, for the coming period is mainly to seek investments in what would be viewed, at the time of purchase, as structures producing ongoing cash flows; for example, AA, A or BBB-rated tranches of CLOs and AAA to A-rated tranches of Corporate Credit portfolio are all considered. The Company will also continue to invest in short-term senior European ABS assets to enhance its cash management.

5. ONGOING INVESTMENT STRATEGY (CONTINUED)

Considering the current market conditions, the investment strategy will additionally focus on switching some existing positions into almost similar transactions which the Investment Manager considers at the time of the switch provide cash flows higher or less uncertain than are expected from the assets that are sold. Considering the still weak liquidity available for most of Volta's assets, such trades are expected to be few.

At the time of writing this Report, discount margins are still attractive for Volta in some areas of the structured markets and the Company will continue to focus its investment for the next period on the three asset classes that are represented at the end of January 2010: CDOs, Corporate Credit and ABS.

Considering the significant discount to par at which most investments could be purchased, a significant portion of their expected rate of return should come from backloaded cash flows rather than from ongoing cash flows.

6. OUTLOOK

At the time of writing this Report, our general view on the current economic and financial crisis is that the worst may be considered to be over, but the economic crisis, despite the significant support from financial authorities and governments, is not totally over yet.

With regard to the financial system, the way losses experienced in the commercial real estate business are going to be managed could always lead to some surprises especially given that banks have struggled with losses from household debts (residential and consumer debts). Non-performing loans in certain countries (for example China, Spain, and the US,) are still an active issue for the financial system, even if it seems that the worst is over.

With regard to the economic system, the remedy employed by most of the developed countries consisted of the substitution of consumer borrowings by government spending and was successful in stopping the haemorrhage but it has not addressed the core question which is "how will older developed economies succeed in competing in a global and highly competitive system?" Recent figures seem to be encouraging, but the road to sustainable growth is still bumpy.

As for the valuation of Volta's assets at the end of the semi-annual period, most continue to reflect an economic scenario that is less positive than the one generally foreseen by most of the economic authorities at the time of writing this Report. As an example, under the base case scenario given by the rating agencies in terms of default, Volta's end of period NAV almost certainly underestimates the expected cash flows that could be formed from those scenarios.

Considering the still significant discount margins at which the Company's assets are valued, the Company is unlikely to divest its current portfolio at present, even if some of the switches described above occur. However the pace at which ongoing cash flows will be reinvested could be adjusted if it appears that some financial or economic stress is evident.

Based on current market conditions, the price of risky assets, including structured finance products, should continue to be volatile, reflecting a still significant level of uncertainty. However, we do not expect, at the time of writing this Report, a return to the level of volatility seen during the last annual period.

The Company has demonstrated its ability to adapt its investment strategy. The adjustment made to its cost structure during the previous financial year, as well as its strategy of spreading investments across the different segments of the structured finance markets could possibly provide encouraging prospects for the future.

AXA INVESTMENT MANAGERS PARIS

26 March 2010

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 these cases, , the Investment Manager agreed in the Investment Management Agreement to report semi-annually to the Company on how the valuations used by the counterparty on underlying assets from time to time compare to valuations from an external third-party pricing service.
- For illiquid financial assets, the method of ongoing valuation depends upon the nature of the asset and the valuation information available with respect to each particular asset.
- **Case C:** up to January 2009, the Company was able to obtain valuations as at each reporting date, together with the related main valuation assumptions, for each of its bespoke CSO (or "Corporate Credit") investments and CDO investments from either an arranging bank, or another market participant. As at the current period end date, the Company has been able to obtain valuations without the relative main valuation assumptions for all of its CDO investments and the other bespoke CSO investments. **Consequently, the Investment Manager has been unable to review for reasonableness the main valuation assumptions underlying the valuations of its CDO investments** and most of its Corporate Credit positions. Therefore, the valuation methodology previously described as "Case C" has now been split into two new categories: "Case C (i)", which is equivalent to the previous "Case C" category; and, "Case C (ii)", as described below.
- **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 judgements 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 2010 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.

- **Case C(i) (continued):** 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 2010 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 semi-annually the valuations 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 2010 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 asset-backed securities' 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 2010 and have concluded that they were fair and reasonable.** If the third party challenges the Investment Manager's valuations on this basis, the Company will consider engaging the third party (or one or more other third parties, such as, for example, an investment bank or the seller of the underlying assets) to provide a valuation, or will adopt some other method of valuing the position.

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

DIRECTORS, MANAGEMENT, ADMINISTRATION AND ADVISORS

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RESPONSIBILITY STATEMENT
IN RESPECT OF THE FINANCIAL STATEMENTS

Each of the directors, whose names and functions are listed on page 18, 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 months period ended 31 January 2010, 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 23 March 2010 and was signed on its behalf by:

Peter Crook	**Christian Jimenez**
Chairman	Senior Independent Director

26 March 2010

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 2010 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 cash flow statement and the related Notes on pages 26 to 45. 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 within our engagement letter dated 3 February 2010. 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".

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 United Kingdom. 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 unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Euronext rules.

Emphasis of Matter – Current Market Conditions

In forming our conclusion, which is not qualified, we have considered the adequacy of the disclosures in Notes 4, 5 and 23, concerning the impact of current market conditions on the Company.

Notwithstanding the commencement of a tentative recovery in the world economic and credit markets, there still remains significant uncertainty in respect of the liquidity, credit and counterparty risks faced by the Company.

The impact of these heightened risks on the future valuation and realisation prospects of the Company's investments is subject to a high degree of uncertainty. There is therefore a material risk that the Company's investments may not be realised in future at their fair values as included in the Company's financial statements and that income derived from those investments may be less than that predicted.

KPMG Channel Islands Limited

26 March 2010

- 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 2010

	Notes	1 August 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
OPERATING INCOME			
Deposit interest income	6	**8,030**	347,036
Effective interest income on available-for-sale securities and investments at fair value through profit or loss	6	**6,999,684**	12,170,850
Income from Total Return Swap	6	**-**	11,426
Net income on settlement of foreign exchange swaps and options	6	**105,410**	1,314,834
		7,113,124	13,844,146
OPERATING EXPENDITURE			
Legal fees		**(11,412)**	(34,683)
Audit fees		**(140,038)**	(131,358)
Investment management fees		**(368,002)**	(1,000,453)
Custodian fees		**(15,971)**	(11,953)
Portfolio valuation and administration fees		**(24,664)**	(104,258)
Company secretarial, administration and accountancy fees	7	**(127,927)**	(149,012)
Directors' remuneration	8	**(171,538)**	(255,066)
Insurance		**(81,181)**	(26,446)
Other operating expenses		**(52,844)**	(55,802)
		(993,577)	(1,769,031)
OPERATING PROFIT		**6,119,547**	12,075,115
REALISED AND UNREALISED PROFITS/(LOSSES)			
Loss on foreign exchange swaps and options	6	**(992,565)**	(9,206,856)
Gain/(loss) on financial assets at fair value through profit or loss	6	**1,412,120**	(57,584,878)
Foreign exchange gain on available-for-sale securities	6	**842,112**	9,045,548
Movement on impairments on available-for-sale securities	6	**13,064,377**	(57,103,848)
Net foreign exchange gain on other assets	6	**28,063**	1,119,101
Realised gain on investments	6	**336,846**	-
		14,690,953	(113,730,933)
FINANCE EXPENSES			
Liquidity facility fee		**-**	(15,375)
PROFIT/(LOSS) FOR THE PERIOD		**20,810,500**	(101,671,193)
Gain/loss per ordinary share			
Basic	10	**0.6875**	(3.3820)
Diluted	10	**0.6875**	(3.3820)

		Number of shares	
Weighted average ordinary shares outstanding			
Basic	10	**30,267,908**	30,062,261
Diluted	10	**30,267,908**	30,062,261

The Notes on pages 26 to 45 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 JANUARY 2010

	Note	1 August 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
PROFIT/(LOSS) FOR THE PERIOD		**20,810,500**	(101,671,193)
OTHER COMPREHENSIVE INCOME			
Net unrealised gain/(loss) on available-for-sale securities recognised in the period	6	**9,353,840**	(18,000,573)
Impairment on available-for-sale securities previously recognised as an unrealised loss in the prior period		-	17,953,673
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**9,353,840**	(46,900)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**30,164,340**	(101,718,093)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		**30,164,340**	(101,718,093)

The Notes on pages 26 to 45 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2010

	Notes	31 January 2010 €	31 July 2009 €
ASSETS			
Available-for-sale securities	11	**71,713,776**	22,220,347
Financial assets at fair value through profit or loss	12	**8,514,694**	6,975,253
Trade and other receivables	14	**2,815,124**	2,256,140
Cash and cash equivalents	15	**4,214,962**	27,672,532
TOTAL ASSETS		**87,258,556**	59,124,272
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	17	—	—
Share premium	18	**471,583**	405,990
Warrants	18	**1,410,000**	1,410,000
Other distributable reserves	19	**260,639,131**	263,667,202
Net unrealised fair value movements on available-for-sale securities	19	**(12,443,557)**	(21,797,397)
Accumulated loss	19	**(164,440,886)**	(185,251,386)
TOTAL SHAREHOLDERS' EQUITY		**85,636,271**	58,434,409
LIABILITIES			
Current liabilities			
Open foreign exchange swaps and options	13	**1,006,184**	13,619
Trade and other payables	16	**616,101**	676,244
TOTAL EQUITY AND LIABILITIES		**87,258,556**	59,124,272
Net asset value per ordinary share outstanding			
Basic		**€2.8281**	€1.9340
Diluted		**€2.8281**	€1.9340

These condensed interim financial statements on pages 21 to 45 were approved by the Board of Directors on 23 March 2010 and were signed on its behalf by:

Peter Crook

Chairman

Christian Jimenez

Senior Independent Director

The Notes on pages 26 to 45 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 JANUARY 2010

	Notes	Ordinary shares €	Share premium €	Warrants €	Other distributable reserves €	Accumulated loss €	Available-for-sale securities unrealised losses €	Total €
Balance at 31 July 2008		**—**	**267,990**	**1,410,000**	**272,993,894**	**(87,537,750)**	**(21,602,114)**	**165,532,020**
Net unrealised loss on available-for-sale securities recognised in the period	6	—	—	—	—	—	(18,000,573)	(18,000,573)
Impairment on available-for-sale securities previously recognised as an unrealised loss in the prior period	6	—	—	—	—	—	17,953,673	17,953,673
Total other comprehensive income for the period	**6**	**—**	**—**	**—**	**—**	**—**	**(46,900)**	**(46,900)**
Net loss for the period	19	—	—	—	—	(101,671,193)	—	(101,671,193)
Total comprehensive income for the period	**19**	**—**	**—**	**—**	**—**	**(101,671,193)**	**(46,900)**	**(101,718,093)**
Issue of ordinary shares to Directors	8	—	66,000	—	—	—	—	66,000
Dividends paid	9	—	—	—	(7,519,013)	—	—	(7,519,013)
Balance at 31 January 2009		**—**	**333,990**	**1,410,000**	**265,474,881**	**(189,208,943)**	**(21,649,014)**	**56,360,914**
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
Impairment on available-for-sale securities previously recognised as an unrealised loss in the prior period	6	—	—	—	—	—	—	—
Total other comprehensive income for the period	**6**	**—**	**—**	**—**	**—**	**—**	9,353,840	9,353,840
Net profit for the period	19	—	—	—	—	20,810,500	—	20,810,500
Total comprehensive income for the period	**19**	**—**	**—**	**—**	**—**	20,810,500	9,353,840	**30,164,340**
Issue of ordinary shares to Directors	8	—	65,593	—	—	—	—	65,593
Dividends 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**

The Notes on pages 26 to 45 form part of these Condensed Interim Financial Statements.

UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JANUARY 2010

	Notes	1 August 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
Cash flows generated from operating activities			
Loss for the period		**20,810,500**	(101,671,193)
Adjustments for:			
Effective interest income		**(6,999,684)**	(12,170,850)
Loss on foreign exchange swaps and options		**992,565**	9,206,856
Loss/(gain) on financial assets at fair value through profit or loss		**(1,412,120)**	57,584,878
Coupons received		**7,618,374**	12,359,236
Foreign exchange gain on available-for-sale securities		**(842,112)**	(9,045,548)
Movement on impairments on available-for-sale debt securities		**(13,064,377)**	57,103,848
Realised gain on sale of investment		**(336,846)**	-
Decrease in trade and other receivables		**(558,984)**	909,526
Decrease in trade and other payables		**(60,143)**	(418,021)
Directors' fees paid in the form of shares		**65,593**	66,000
Cash generated from operating activities		**6,212,766**	13,924,732
Cash flows used in investing activities			
Purchase of investments		**(31,358,928)**	(5,238,989)
Redemption of investments		**4,688,600**	-
Net cash used in investing activities		**(26,670,328)**	(5,238,989)
Cash flows used in financing activities			
Dividend paid		**(3,028,071)**	(7,519,013)
Net cash used in financing activities		**(3,028,071)**	(7,519,013)
Net (decrease)/increase in cash and cash equivalents		**(23,485,633)**	1,166,729
Cash and cash equivalents at beginning of the period		**27,672,532**	23,359,657
Effect of exchange rate fluctuations on cash and cash equivalents		**28,063**	
Cash and cash equivalents at end of the period	15	**4,214,962**	24,526,387

Cash generated from operations

Cash generated from operations for the period of €6,212,766 includes the following interest receipts:

	1 August 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
Deposit interest	**8,030**	347,036

The Notes on pages 26 to 45 form part of these Condensed Interim Financial Statements.

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 2010 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 20, 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.

These interim unaudited condensed financial statements are prepared in addition to annual audited financial statements. The Directors of the Company will 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 2009. The financial statements of the Company as at and for the year ended 31 July 2009 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

(i) **Presentation of financial statements**
The Company applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as at 1 January 2009. The Company has chosen to adopt the two statements approach: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).

The adoption of this standard impacts only the presentation aspects and does not impact the amounts reported in the current or prior financial periods.

(ii) **Operating segments**
IFRS 8, Operating segments, which became effective for financial periods beginning on or after 1 January 2009, replaces IAS 14, Segment reporting. IFRS 8 requires an entity to identify and disclose financial information on operating segments of the entity on the "management approach" basis which is consistent with information provided internally to the chief operating decision maker of the entity and that is reviewed regularly to make decisions about allocation of resources to the respective segments and assess its performance, and for which discrete financial information is available. This is disclosed by the Company in Note 3.

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. The standard contains two primary measurement categories: amortised cost and fair value. The Company will apply IFRS 9 for its accounting period commencing 1 August 2013.

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 Statement of Comprehensive Income;
- financial instruments designated at fair value through profit or loss are measured at fair value and changes therein are recognised in the Income Statement; and
- the methods used to measure fair value are further disclosed in Note 4. All other financial instruments are measured at amortised cost.

C) FUNCTIONAL AND PRESENTATION CURRENCY

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

D) USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- Note 4 (Determination of fair values); and
- pages 16 and 17 (Portfolio valuation).

3. SIGNIFICANT ACCOUNTING POLICIES

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

A) FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign currency closing exchange rate ruling at the Statement of Financial Position 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 on 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 loses 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 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 profit or loss.

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 profit or loss 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 as their quoted market prices at the Statement of Financial Position 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 Statement of Financial Position date were determined as disclosed in Note 5.

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 profit or loss. 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.

F) REVENUE AND EXPENSES

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Expenses are accounted for on an accruals basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposals of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method. 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.

H) EARNINGS PER SHARE

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

I) TRANSACTION COSTS

Expenses incurred by the Company that were directly attributable to its Initial Public Offering ("IPO") were charged directly to the share premium account. Share options granted at formation to the Investment Manager were treated as an expense on the basis that they were granted as a fee for services performed by the Investment Manager in the course of the offer process.

J) 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.

K) DIVIDENDS PAYABLE

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

Dividends are paid in accordance with the Companies (Guernsey) Laws, 2008.

On 9 November 2006 the Company adopted a resolution cancelling the amount standing to the share premium account immediately following closing of the IPO and crediting such amount to distributable reserves.

The Directors determine a dividend on a semi-annual basis, having regard to various considerations, as discussed in the Chairman's Statement.

L) DISTRIBUTION INCOME

The full definition of Distribution Income may be found in the Company's IPO Prospectus and is reproduced on pages 46 to 47. The calculation of Distribution Income for the period can be found on page 46.

M) 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.

N) SEGMENT REPORTING

The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, being investment in diversified portfolio of mortgaged-backed and other asset-backed securities, loans and 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)

N) 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 make the 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 in the cash flows (interest and coupons) received from the Company's assets as well as the changes in the fair value of the Company's assets, as calculated under IFRS and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

The Company's assets held as of the period end and the geographical area the Company is invested into are presented in the Investment Manager's Report.

The Company held two investment which individually represented more than 10% of the effective interest income on available-for-sale securities and investments at fair value through the profit and loss. These investments were Jazz III with income amounting to € 917,080 and Aria III with income amounting to € 1,465,360.

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 s specific to that asset or liability. The Company's policy on portfolio valuation is set out on pages 16 and 17.

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 judgments 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.

When and where required, third parties have reviewed these valuations as at 31 January 2010, 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 Statement of Financial Position date.

4. DETERMINATION OF FAIR VALUES (CONTINUED)

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 one, 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 2010		31 July 2009	
	€m	**% NAV**	€m	% NAV
Case A	**-**	**-**	0.1	-
Case C (i)	**8.5**	**9.9%**	7.0	12.0%
Case C (ii)	**65.2**	**76.2%**	14.8	25.3%
Case D	**6.5**	**7.9%**	7.3	12.5%
	80.2	**94.0%**	29.2	49.8%

Further details on the valuation methodology are given on pages 16 and 17.

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

AVAILABLE-FOR-SALE DEBT SECURITIES

As for the previous semi-annual period, very minor changes in the fair value of expected cash flows from the six UK non-conforming assets negatively affected the result of the Company for the semi-annual period ended 31 January 2010 being negative €0.03 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 led the Company, as required by IAS 39, to recognise, as a reversal of impairment, the increases in value of the subordinated notes of CDOs previously impaired.

As the subordinated notes of CDOs are classified as "available-for-sale securities" under IFRS, their reversal of impairment as described above positively affected the Income Statement of the Company by €13.06 million (an amount equal to the difference between their book value and their mark-to-market value as of the end of January 2010).

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Under IFRS, the fall in the mark-to-market value of assets designated as "financial assets at fair value through profit or loss" negatively affects the Income Statement, regardless of whether or not such a fall is indicative of a drop in the expected cash flows from these assets. Consequently no separate 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 unrealised losses on revaluation of such investments had already been recognised in such Income Statements.

EFFECT ON THE DISTRIBUTION INCOME CALCULATION

The Company's expectations of future cash flows for sole assets at fair value through profit or loss (ARIA III) had not materially changed during the interim period. Consequently, no impairment has been recognised on these assets for the purpose of establishing the Distribution Income.

The expected cash flows from the six UK non-conforming assets previously impaired, was not significantly changed at the end of January 2010. However, the slight decrease of €0.03 million in the present value of the expected cash flows from these assets has been recognised for the semi-annual period ended 31 January 2010 in the Distribution Income.

Revisions to the expected cash flows from 14 CDOs positively affected the Distribution Income for the semi-annual period ended 31 January 2010 in amounts equal to the discounted value of the difference between the previous and the current series of expected cash flows, being positive €11.85 million for these assets.

6. FINANCE INCOME AND EXPENSE RECOGNISED IN THE INCOME STATEMENT

	1 August 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
Deposit interest income	**8,030**	347,036
Effective interest income on available-for-sale securities and investments at fair value through profit or loss	**6,999,684**	12,170,850
Income from Total Return Swap	**-**	11,426
Net income on settlement of foreign exchange swaps and options	**105,410**	1,314,834
Unrealised foreign exchange gain on available-for-sale securities	**842,112**	9,045,548
Realised gain on investment	**336,846**	-
Net foreign exchange gain on other assets	**28,063**	1,119,101
Finance income	**8,320,145**	24,008,795
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**1, 412,120**	(57,584,878)
Unrealised loss on foreign exchange swaps and options	**(992,565)**	(9,206,856)
Provision for impairments on available-for-sale debt securities	**13,064,377**	(57,103,848)
Facility fee (€30 million Citigroup facility)	**-**	(15,375)
Finance expense	**13,483,932**	(123,910,957)
Net finance income/(expense) recognised in profit or loss	**21,804,077**	(99,902,162)
Recognised directly in equity		
Net change in fair value of available-for-sale financial assets	**9,353,840**	(46,900)
Net finance expense recognised directly in equity	**9,353,840**	(46,900)

7. COMPANY SECRETARIAL, ADMINISTRATION AND ACCOUNTANCY FEES

Mourant Guernsey Limited acts as Company Secretary, Administrator and Registrar. Company secretarial, administration and accountancy fees are incurred and billed on a time costs basis in accordance with Mourant 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 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
Directors' fees (cash element)	**117,783**	175,000
Directors' fees (equity element, settled during the period)	**31,500**	48,000
Directors' fees (equity element, settled after the period end)	**18,978**	27,000
Directors' expenses	**3,277**	5,066
	171,538	255,066

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 2010 and during prior periods:

	Dividend per share €
Dividend for the interim period ended 31 January 2010 (proposed)	**0.13**
Dividend for the interim period ended 31 July 2009 (paid 25 November 2009)	0.10
Dividend for the interim period ended 31 January 2009 (paid 27 March 2009)	0.06
Dividend for the period ended 31 July 2008 (paid 25 November 2008)	0.25

10. GAIN / (LOSS) PER SHARE

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

	1 August 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
Gain / (Loss) for the purposes of basic loss per share being net loss attributable to equity holders	**20,810,500**	(101,671,193)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic loss per share	**30,267,908**	30,062,261
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 loss per share	**30,267,908**	30,062,261

The average market price, based on closing prices quoted on Euronext Amsterdam, for one ordinary share during the six month period to 31 January 2010 was €1.38 (€1.18 during the six month period to 31 January 2009).

11. AVAILABLE-FOR-SALE SECURITIES

	31 January 2010 Amortised cost €	31 January 2010 Unrealised (losses)/gains €	31 January 2010 Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	**15,262,482**	**(8,489,849)**	**6,772,633**
CDO assets	**49,192,853**	**(3,496,649)**	**45,696,204**
ABS assets	**14,073,541**	**(4,109,385)**	**9,964,156**
	78,528,876	**(16,095,883)**	**62,432,993**
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	**5,628,457**	**3,652,326**	**9,280,783**
Total available-for-sale securities	**84,157,333**	**(12,443,557)**	**71,713,776**

Amortised cost is calculated after deduction of impairment losses recognised.

	31 July 2009 Amortised cost €	31 July 2009 Unrealised losses €	31 July 2009 Fair value €
Available-for-sale debt securities (amortised cost basis)			
Corporate credits	8,292.985	(8,292,985)	—
CDO assets	19,560,168	(11,941,476)	7,618,692
ABS assets	10,722,204	(3,378,266)	7,343,938
	38,575,357	(23,612,727)	14,962,630
Available-for-sale equity securities (cost)			
Equity instrument (CDO)	5,442,387	1,815,330	7,257,717
Total available-for-sale securities	44,017,744	(21,797,397)	22,220,347

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As noted above, 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 Income Statement.

	1 August 2009 to 31 January 2010	1 February 2009 to 31 July 2009
	€	€
Fair value brought forward	**6,975,253**	61,527,343
Coupons received	**(1,329,980)**	(5,532,854)
Interest income accrued	**1,457,301**	6,582,774
Unrealised movement in fair value	**1,412,120**	(55,602,010)
Fair value carried forward	**8,514,694**	6,975,253

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 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 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 certitude that hedging some of the currency exposure generated by non-Euro assets could continue to be performed in the future.

14. TRADE AND OTHER RECEIVABLES

	31 January 2010	31 July 2009
	€	€
Prepayments	**82,438**	78,214
Security deposit	**7,190**	-
Accrued effective interest receivable	**2,725,496**	2,177,926
	2,815,124	2,256,140

15. CASH AND CASH EQUIVALENTS

	31 January 2010	31 July 2009
	€	€
Deposit accounts	**3,724,962**	27,672,532
Margin account deposited as collateral for foreign exchange derivatives	**490,000**	-
	4,214,962	27,672,532

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.

16. TRADE AND OTHER PAYABLES

	31 January 2010	31 July 2009
	€	€
Investment management fees	**368,002**	329,377
Directors' fees (cash payable)	**44,283**	79,549
Directors' fees (shares payable)	**18,978**	34,092
Accrued expenses and other payables	**184,838**	233,226
	616,101	676,244

17. SHARE CAPITAL

Authorised:

	31 January 2010 Number of shares	31 July 2009 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.

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 2008	30,042,039	1	—	3,000,000
Issued to Directors during the period	34,013	—	—	—
Balance at 31 January 2009	30,076,052	1	—	3,000,000
Issued to Directors during the period	138,462	—	—	—
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**

The initial public offering 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 and €1.23.

18. SHARE PREMIUM ACCOUNT

	Ordinary €	B share €	C shares €	Warrants €
Balance at 31 July 2008	267,990	—	—	**1,410,000**
Issued to Directors during the period	66,000	—	—	—
Balance at 31 January 2009	333,990	—	—	**1,410,000**
Issued to Directors during the period	72,000	—	—	—
Balance at 31 July 2009	405,990	—	—	**1,410,000**
Issued to Directors during the period	65,593	—	—	—
Balance as 31 January 2010	**471,583**	**—**	**—**	**1,410,000**

18. SHARE PREMIUM ACCOUNT (CONTINUED)

The balance on the share premium account as at 26 January 2007 of €285,001,174 was transferred to distributable reserves on that date, following approval by the Guernsey Royal Court.

Warrants:

	2010	2009
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	**€1.45**	€0.40
Theoretical value per warrant if exercised at period end	—	—
Dilutive effect of warrants	—	—

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

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

19. RESERVES

	Accumulated loss €	Other distributable reserves €	Unrealised losses €
As at 31 July 2008	**(87,537,750)**	**272,993,894**	**(21,602,114)**
Loss for the period	(101,671,193)	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	(46,900)
Dividend paid	—	(7,519,013)	—
As at 31 January 2009	**(189,208,943)**	**265,474,881**	**(21,649,014)**
As at 31 July 2009	**(185,251,386)**	**263,667,202**	**(21,797,397)**
Profit for the period	20,810,500	—	—
Net unrealised fair value movement on available-for-sale securities	—	—	9,353,840
Dividend paid	—	(3,028,071)	—
As at 31 January 2010	**(164,440,886)**	**260,639,131**	**(12,443,557)**

20. 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).

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK

To the extent the Company incurs indebtedness, 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.

The tables 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 2010

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
Euro deposit accounts	Floating	**Eonia – 25bp**	**3,059,484**
Euro margin account	Non-interest bearing	**n/a**	**490,000**
USD deposit accounts	Floating	**Libor USD Overnight – 25bp**	**120,373**
GBP deposit accounts	Floating	**SONIA Overnight – 40bp**	**545,105**
			4,214,962
Available-for-sale securities:			
AFS (denominated in Euro)	Fixed/Floating	**15.81%**	**32,198,610**
AFS (denominated in USD)	Fixed/Floating	**21.34%**	**39,462,536**
AFS (denominated in GBP)	Fixed/Floating	**20.00%**	**52,630**
			71,713,776
Financial assets at fair value through profit or loss (EUR)	Floating	**6 month Euribor + 15.50%**	**8.514.694**
Trade and other receivables	Non-interest bearing	**n/a**	**2,815,124**
			11,839,818
			87,258,556
Financial liabilities			
Trade and other payables	Non-interest bearing	**n/a**	**616,101**
Derivative contracts	Non-interest bearing	**n/a**	**1,006,184**
			1,622,285

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK (CONTINUED)

Interest rate profile as at 31 July 2009

	Interest charging basis	Effective interest rate %	Amount €
Financial assets			
Cash and cash equivalents:			
Euro deposit accounts	Floating	Eonia – 25bp	24,993,627
USD deposit accounts	Floating	Libor USD Overnight – 25bp	1,580,679
GBP deposit accounts	Floating	SONIA Overnight – 40bp	1,098,226
			27,672,532
Available-for-sale securities:			
AFS (denominated in Euro)	Fixed	14.40%	9,497,961
AFS (denominated in USD)	Fixed	18.75%	12,622,884
AFS (denominated in GBP)	Fixed	20.00%	99,502
			22,220,347
Financial assets at fair value through profit or loss (EUR)	Floating	6 month Euribor + 15.50%	6,975,253
Trade and other receivables	Non-interest bearing	n/a	2,256,140
Derivative contracts	Non-interest bearing	n/a	—
			9,231,393
			59,124,272
Financial liabilities			
Trade and other payables	Non-interest bearing	n/a	(676,244)
Derivative contracts	Non-interest bearing	n/a	(13,619)
			(689,863)

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 overall portfolio basis, even if from time to time hedging on an asset by asset basis could be considered. The Company may bear a level of currency risk that could otherwise be hedged where the Investment Manager considers that bearing such risks is advisable or is in the best interest of the Company considering the liquidity risk that is attached to any derivative contracts that could be used (e.g. margin calls on those contracts).

As at the end of January 2010, the Investment Manager had put in place arrangements to hedge into Euro most of the Company's US Dollar exposure associated with its US Dollar-denominated assets. In order to reduce the risk of having to post immediate and significant cash with respect to forward EUR/USD foreign exchange swaps, the Investment Manager limited the pace at which those amounts could be called when US dollar appreciates by employing 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 and that gain or losses from currency exposures would not materialise.

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

CURRENCY RISK (CONTINUED)

Currency risk profile as at 31 January 2010

	Denominated in Euro €	Denominated in USD €	Denominated in GBP €
Investments:			
Available-for-sale debt securities	**32,198,610**	**30,181,753**	**52,630**
Financial assets at fair value through profit or loss	**8,514,694**	-	-
Available-for-sale equity securities	-	**9,280,783**	-
	40,713,304	**39,462,536**	**52,630**
Cash and cash equivalents	**3,549,484**	**120,373**	**545,105**
Trade and other receivables	**2,170,895**	**642,060**	**2,169**
Trade and other payables	**(571,367)**	-	**(44,734)**
Derivative contracts	**(941,270)**	**(64,914)**	-
	44,821,046	**40,160,055**	**555,170**

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

Amount bought €	Amount sold currency	Number of positions	Unrealised gain/(loss) €
79,043,220	USD 115,500,000	31	(1,006,184)
			(1,006,184)

Currency risk profile as at 31 July 2009

	Denominated in Euro €	**Denominated in USD €**	**Denominated in GBP €**
Investments			
Available-for-sale debt securities	9,497,961	5,365,167	99,502
Financial assets at fair value through profit or loss	6,975,253	—	—
Available-for-sale equity securities	—	7,257,717	—
	16,473,214	**12,622,884**	**99,502**
Cash and cash equivalents	24,993,627	1,580,679	1,098,226
Trade and other receivables	2,035,332	212,366	8,442
Trade and other payables	(580,450)	—	(95,794)
Derivative contracts	1,547,956	(1,561,575)	—
	44,469,679	**12,854,354**	**1,110,376**

The following foreign exchange swaps and options were unsettled as at 31 July 2009:

Amount bought €	Amount sold currency	Number of positions	Unrealised gain/(loss) €
36,623,972	USD 51,500,000	19	(13,619)
			(13,619)

20. 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 investment 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 investment.

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

CREDIT RISK (INCLUDING COUNTERPARTY RISK)

Credit risk is the risk of financial loss to the Company if 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 statement of financial position date. This relates also 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 investment on asset that are expected to generate cash flows from underlying portfolio's having at the time of purchase, in aggregate, diverse characteristics like 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.

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

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 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 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. The market practice is to have margin calls on derivative instruments used by the Company participants of the liquidity risk. 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.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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.

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 2010

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	**4,214,962**		
Available-for-sale securities	**5,546,484**	**5,592,072**	**60,575,220**
Financial assets at fair value through profit and loss	**-**	**8,514,694**	**-**
Trade and other receivables	**2,815,124**	**-**	**-**
	12,576,570	**14,106,766**	**60,575,220**
Financial liabilities			
Derivative contracts	**(422,069)**	**(584,115)**	**-**
Trade and other payables	**(616,101)**	**-**	**-**
	(1,038,170)	**(584,115)**	**-**

Maturity profile as at 31 July 2009

	Within one year €	One to five years €	Over five years €
Financial assets			
Cash and cash equivalents	**27,672,532**	—	—
Available-for-sale securities	**2,851,718**	—	**19,368,629**
Financial assets at fair value through profit and loss	—	**6,975,253**	—
Derivative contracts			
Trade and other receivables	**2,256,140**	—	—
	32,780,390	**6,975,253**	**19,368,629**
Financial liabilities			
Derivative contracts	1,905,172	(1,918,791)	
Trade and other payables	(676,244)	-	—
	1,228,928	(1,918,791)	—

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. In some cases, the

Company may be party to various loan, repurchase and other financing and investment agreements that contain representations, warranties and covenants of various kinds. The arrangements may also contain financial covenants that could, among other things, require the Company to maintain certain financial ratios. If the Company breaches covenants under financing or investment agreements, it could be forced to sell assets or experience other disadvantages.

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 Report. 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.

21. RELATED PARTY DISCLOSURE

TRANSACTIONS WITH DIRECTORS AND THE INVESTMENT MANAGER

As at 31 January 2010, the Directors of the Company controlled 0.93% (2009: 0.71%) 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 six month 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 €368,002 (interim period ended 31 January 2009: €1,000,454; semi-annual period ended 31 July 2009: €1,329,830). The total fees accrued were outstanding as at 31 January 2010 (31 July 2009).

Under the terms of the Investment Management Agreement, the Investment Manager is also entitled to an incentive fee, which is payable in arrears in respect of each interim period ending 31 July and 31 January. The incentive fee is dependent on the Company's performance. During the period there were no incentive fees accrued.

As stated in the Investment Manager's Report, the Investment Manager also acts as Investment Manager for four of the Company's investments (ARIA II, ARIA III, Jazz III and Adagio III), earning Investment Management fees for so doing directly from these investment vehicles.

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

The investment in Adagio III and in the debt tranches of Jazz III was made by way of a secondary market purchase on a bona fide arm's length basis from a party unaffiliated with the Investment Manager. Therefore, the Company pays Investment Management fees with respect to this investment calculated in the same way as if the Investment Manager of these deals was an independent third party.

22. COMMITMENTS

As at 31 January 2010 the Company had no outstanding commitments linked to previous investments.

23. POST STATEMENT OF FINANCIAL POSITION EVENTS

Since the end of the semi-annual period ended 31 January 2010, nothing significant affected credit markets that are of importance for the Company, and the prices of assets held by the Company have continued to increase.

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 interim period. Consequently the financial situation of the 14 residuals positions and of the twenty one mezzanine tranches held by the company has not materially changed relative to that described in the Investment Management Report.

23. POST STATEMENT OF FINANCIAL POSITION EVENTS (CONTINUED)

CDO (CONTINUED)

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 interim 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 2010

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 2009 to 31 January 2010 €	1 August 2008 to 31 January 2009 €
Net IFRS profit/(loss) per the Income Statement	**20,810,500**	(101,671,193)
Add: impairment (gains)/losses on available-for-sale securities per the Income Statement	**(13,064,377)**	57,103,848
Less: impairment gains/(losses) on available-for-sale securities for the purpose of determining the Distribution Income	**11,813,874**	(130,144,265)
Add: mark-to-market losses on the TRS per the Income Statement	—	—
Less: impairment losses on the TRS for the purpose of determining the Distribution Income	—	—
Less: net income from the TRS per the Income Statement	—	—
Add: effective income on the TRS for the purpose of determining the Distribution Income	—	—
Add: net unrealised loss on financial assets at fair value through profit or loss per the Income Statement	**(1,412,120)**	57,584,878
Add/(less): foreign exchange gains/(losses), net of hedging gains/(losses), for the purpose of determining the Distribution Income	**122,390**	(957,793)
Distribution Income	**18,270,680**	(118,084,525)

OBJECTIVES

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 2010, 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.