VERMILLION PROTECTIVE BOND PORTFOLIO PLC

DIRECTORS' REPORT AND THE AUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

COMPANY NUMBER: 426055

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COMPANY INFORMATION

DIRECTORS	John Fitzpatrick (Irish) (Independent non-executive) Michael Boyce (Irish) (Independent non-executive) Christiaan Sterckx (Belgian) (Non-executive) Yves Lippens (Belgian) (Non-executive)
SECRETARY	HMP Secretarial Limited Riverside One Sir John Rogerson's Quay Dublin 2
REGISTERED OFFICE	Riverside One Sir John Rogerson's Quay Dublin 2
SOLICITORS	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2
PRINCIPAL PAYING AGENT, REGISTRAR TRANSFER AGENT AND CALCULATION AGENT	The Bank of New York Mellon One Canada Square London E14 5AL England
SHARE TRUSTEE	QSV Trustee Limited 62 Seabury Crescent Malahide Co. Dublin
NOTE TRUSTEE	BNY Mellon Corporate Trustee Services Limited One Canada Square London E14 5AL England
BANK AND CUSTODIAN	KBC Bank NV Havenlaan 2 B-1080 Brussels Belgium
INDEPENDENT AUDITOR	Ernst and Young Chartered Accountants and Statutory Audit Firm Harcourt Centre 2 Harcourt Street Dublin 2
PORTFOLIO MANAGER, PORTFOLIO ADMINISTRATOR	KBC Asset Management NV Havenlaan 2 B-1080 Brussels Belgium
CORPORATE ACCOUNTING ADMINISTRATOR	KBC Bank Ireland Plc Sandwith Street Dublin 2

DIRECTORS' REPORT
for the financial year ended 30 April 2019

The directors present their report and the audited financial statements for the year.

PRINCIPAL ACTIVITY
Vermillion Protective Bond Portfolio Plc (the "Company"), an Irish registered company, was incorporated on 6 September 2006. The Company was a dormant company from 5 February 2010 to 2 December 2010. The principal activity of the Company is the investment in bonds, commercial papers and time deposits. The Company established a €40,000,000,000 Programme to issue notes. Notes issued under this Programme will be issued in Series and the terms and conditions of the notes of each Series were set out in a term sheet for such Series. All of the notes issued by the Company are held by Capital Protected funds and Mutual Funds. The noteholders have the right to early redeem notes until the final maturity date by providing an exercise notice to the paying agent.

The Company has two portfolios, long duration and short duration. The distinctions between the durations are based on the underlying asset pools rather than to the duration of the notes. The short duration notes are notes that relate to an underlying fixed income asset pool that have average years to maturity of approximately 1.5 years. The long duration notes are notes that relate to an underlying fixed income asset pool having average years to maturity of approximately 4 years. All of the short duration noteholders share all of the risks of investments in the short duration portfolio on a pro-rata basis. All of the long duration noteholders share all of the risks of investments in the long duration portfolio on a pro-rata basis.

MANAGEMENT'S REPORT OF BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

Business Review

Macro-economic climate
Low rates, strong job creation & fiscal stimuli created a very benign economic environment in the US. This was much less the case in the eurozone where economic growth halted, also in former stronghold Germany. Especially industrial sectors suffered mainly due to the uncertainty regarding the outcome of the Brexit & slowing international trade, exacerbated by an increase in inflation & a more restrictive monetary policy in the US.

Monetary policy
Increasing wages & oil prices pushed inflation in the US above the central bank target of 2%. The Federal Reserve hence continued its policy of systematic increase of the policy rate: each quarter the interest rate was lifted by 25 basis points. Before year-end however, the Federal Reserve receded and announced that the policy rate was close to its 'neutral' level. Early 2019, expectations even grew that the next step of the Fed would be a decrease of the policy rate. The European Central Bank announced in June that from September onwards the Asset Purchase Program would be scaled down gradually and terminates by end of December. At the same time, the ECB said that rates would stay at the same level for a longer period of time. In 2019, they even clarified that a first rate hike was off the table for the rest of the year. With core inflation in the eurozone remaining close to 1%, the ECB goal is far from being met.

Bond markets
In the first half of the reporting period, bond yields increased on the back of new rate hikes of the Federal Reserve. In the last quarter of 2018 however fears on economic growth led to a correction in equity markets and falling interest rates. In spite of a recovery in equity markets during the last quarter of the reporting period, the U-turn of the Federal Reserve caused long term rates to decline even further. Also in the eurozone, bond yields decreased. Bond rates moved into negative territory towards the end of the reporting period and concluded just above 0%, similar to the levels seen mid-2016. Growth concerns in Q4 '18 not only caused volatility in equity markets, but also caused a widening in the spread between corporate bonds & sovereign bonds. In the course of 2019, credit spreads eased again as monetary policy turned more accommodative.

Activities in the Special Purpose Vehicles ("SPVs")
No significant changes have occurred in the overall tactical allocation of the SPVs. The portfolio is tilted to the higher end of the ratings spectrum with more than 50% of the portfolio invested in AAA & AA-rated securities. The weight of this rating bucket further increased during the reporting period to maintain a sufficient stock of high-quality liquid assets. AUM of the portfolio decreased due to large redemptions on behalf of the noteholders. These redemptions consisted mainly of scheduled redemptions, i.e. capital protected and structured funds that matured. On the other hand, volumes in newly launched capital protected and structured funds are still rather low due to the continued low rate environment.

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2019

MANAGEMENT'S REPORT OF BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS (continued)

The directors consider the following to be the main financial key performance indicators of the Company:
- the Company made a profit of €750 *(2018:€750)*
- there were no credit events that affected the Company during the current and prior years
- the net gain (realised and movement in unrealised) from financial assets designated at fair value through profit or loss amounted to €5,531,977 *(2018: net loss of €21,803,071)*
- the net loss (realised and movement in unrealised) from financial liabilities designated at fair value through profit or loss amounted to €8,492,589 *(2018: net gain of €14,553,833)*
- interest income from investments amounted to €7,972,229 *(2018: €9,704,327)*
- interest expense from notes issued amounted to €3,746,662 *(2018: €2,619,648)*
- the Company's total indebtedness was €311,536,506 *(2018: €373,673,403)*
- net investment sales amounted to €58,202,225 *(2018: €71,783,050)*
- net note redemptions amounted to €67,293,265 *(2018: €64,981,073)*
- the internal credit rating of the notes issued by the short duration and long duration portfolio at financial year end was AA- and AA- respectively *(2018: AA- and AA- respectively)*
- the short duration portfolio is underinvested by 1.42% *(2018: 1.29%)* and the long duration portfolio is overinvested by 0.81% *(2018: 0.67%)* at financial year end

A description of 'overinvested' and 'underinvested' is included in Note 17 to the financial statements.

During the financial year, no Series of notes were newly issued. Series No. 2016-40, Series No. 2016-43 and Series No. 2016-46 were fully redeemed.

The redemption of notes during the year is of a consequence of the net outflow of investors from the underlying funds. This along with the decrease in newly launched funds being the direct result of a persistent low interest rate environment.

Due to the nature of the Company, the directors consider there to be no main non-financial key performance indicators.

The Company had the following series available for issue at year end:

Short Duration portfolio:

EUR	29,000,000	Series No. 2016-29	Floating Rate Secured Senior Notes due 2040
EUR	2,600,000	Series No. 2016-30	Floating Rate Secured Senior Notes due 2040
EUR	34,000,000	Series No. 2016-31	Floating Rate Secured Senior Notes due 2040
EUR	25,500,000	Series No. 2016-32	Floating Rate Secured Senior Notes due 2040
EUR	55,000,000	Series No. 2016-33	Floating Rate Secured Senior Notes due 2040
EUR	23,500,000	Series No. 2016-34	Floating Rate Secured Senior Notes due 2040
USD	64,500,000	Series No. 2016-35	Floating Rate Secured Senior Notes due 2040
USD	60,000,000	Series No. 2016-36	Floating Rate Secured Senior Notes due 2040
CZK	575,000,000	Series No. 2016-37	Floating Rate Secured Senior Notes due 2040
CZK	75,000,000	Series No. 2016-38	Floating Rate Secured Senior Notes due 2040
CZK	11,000,000	Series No. 2016-39	Floating Rate Secured Senior Notes due 2040
HUF	6,000,000,000	Series No. 2017-49	Floating Rate Secured Senior Notes due 2040

Long Duration portfolio:

EUR	2,800,000	Series No. 2016-42	Floating Rate Secured Senior Notes due 2040
EUR	29,000,000	Series No. 2016-44	Floating Rate Secured Senior Notes due 2040
EUR	3,000,000	Series No. 2016-45	Floating Rate Secured Senior Notes due 2040
USD	80,000,000	Series No. 2016-47	Floating Rate Secured Senior Notes due 2040
CZK	575,000,000	Series No. 2016-48	Floating Rate Secured Senior Notes due 2040

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2019

MANAGEMENT'S REPORT OF BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS (continued)

The directors believe the Company is a going concern for the following reasons:

- The portfolios are actively managed by KBC Asset Management NV and the directors intend that the present level of activity will be sustained for the foreseeable future; and
- The Company is a limited recourse vehicle and therefore all risks and rewards of ownership are borne by the noteholders.

FUTURE DEVELOPMENTS

The investment held and the notes issued by the Company could change over the year. The directors expect that the present level of activity will be sustained for the foreseeable future.

RESULTS AND DIVIDENDS

The results for the financial year are shown on page 14. On 26 February 2019, the Company paid a dividend of €750 (€0.01875 per ordinary share). The directors proposed a dividend of €750 on 29 August 2019.

CHANGES IN DIRECTORS

There were no changes in directors, secretary or registered office during the year. As at 30 April 2019, the board of directors included John Fitzpatrick, Michael Boyce, Christiaan Sterckx and Yves Lippens.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES AND DEBENTURES

The directors or the company secretary had no beneficial interest in the share capital of the Company at the date of appointment, at the beginning of the year or at the end of the year.

RISK FACTORS

The principal risks and uncertainties facing the Company are set out in Note 18 to the financial statements. The economic risks facing the Company have been detailed in this report. The investment policy of the portfolio is very conservative. The largest exposure of the portfolio is credit risk, more specifically exposure to the financial sector. The main economic risk is a scenario in which a meltdown of the global financial system occurs with actual defaults in systemically important financial institutions in US, Europe, Australia, Canada & Japan. This is mitigated by several factors. The granularity in the portfolio is very large. The portfolio consists of 155 bond issuers with no single bond issuer having a weight above 5%. The average rating of the portfolio is AA- and all bonds classify as investment grade securities. Exposure on the financial sector is through several layers of the capital structure. The portfolio invests in covered bonds, preferred senior bonds, non-preferred senior bonds and only a very limited amount of Tier 2 subordinated bonds. Hence not all bonds are subject to a bail-in scenario in case an adverse scenario materialises. Next to the financial sector, the portfolio also consists of highly rated government bonds & agencies. Since the global financial crisis, a lot of reform has happened in the financial sector. Bondholders are now at greater risk of being bailed-in if a bank runs into trouble as opposed to being bailed-out previously. On the other hand, some measures are meant to prevent that bail-in is needed. Banks have more & higher quality capital and need to maintain higher liquidity buffers for instance. Also not all countries where the SPVs invest in will automatically bail-in senior bondholders like in Australia, Japan. The portfolio should be able to withstand a sudden decline in liquidity conditions in the financial markets for a longer period of time. The SPVs are able to meet both projected outflows & additional outflows that might occur in a stressed scenario.

ACCOUNTING RECORDS

The directors are responsible for ensuring that adequate accounting records, as outlined in Sections 281 to 285 of the Companies Act 2014, are kept by the Company. The directors have ensured that this has been complied with by outsourcing this function to a specialised provider of such services.

The books and accounting records are maintained at KBC Bank Ireland Plc, Sandwith Street, Dublin 2.

SUBSEQUENT EVENTS

The directors proposed a dividend of €750 on 29 August 2019.

POLITICAL DONATIONS

The Company did not make any political donations during the financial year.

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2019

STATUTORY COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Company's compliance with the Company's "relevant obligations" within the meaning of section 225 of the Companies Act 2014 (described below as the "Relevant Obligations").

The directors confirm that:

- they have drawn up a compliance policy statement setting out the Company's policies (that are, in the opinion of the directors, appropriate to the Company) in respect of the Company's compliance with its Relevant Obligations.
- they have considered the Company's Relevant Obligations and are satisfied that arrangements or structures that are in place by agreement with KBC Asset Management NV (the "Compliance Services") are appropriate to secure the Company's material compliance with its Relevant Obligations and that, accordingly, there is no need for the Company to put in place compliance-related arrangements or structures in respect of the Company's Relevant Obligations, other than the Compliance Services.
- during the financial year to which this report relates, the directors have considered whether, and are satisfied that, the Compliance Services are and remain appropriate to secure the Company's material compliance with its Relevant Obligations.

ANNUAL CORPORATE GOVERNANCE STATEMENT

The Company is subject to and complies with Irish Statute comprising the Companies Act 2014 and Listing Rulebook of Euronext Dublin. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial Reporting Process

The Board of Directors ("the Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. The Board is also responsible for the review of half yearly and annual financial statements. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing KBC Asset Management NV as Portfolio Administrator and Manager and KBC Bank Ireland Plc as Corporate Accounting Administrator. The Corporate Accounting Administrator is contractually obliged to maintain proper books records. To that end the Corporate Accounting Administrator performs reconciliations of its records to those of the Trustee, Custodian and the Portfolio Administrator. The Corporate Accounting Administrator is also contractually obliged to prepare for review and approval by the Board the annual and half yearly report including financial statements intended to give a true and fair view.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Corporate Accounting Administrator's financial reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Corporate Accounting Administrator has operating responsibility for internal control in relation to the financial reporting process and reports to the Board.

Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. In respect of the financial reporting process, KBC Bank Ireland Plc has in place appropriate practices to ensure that:

- its financial reporting is accurate and complies with the financial reporting frameworks; and
- systems are in place to achieve high standards of compliance with regulatory requirements.

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2019

ANNUAL CORPORATE GOVERNANCE STATEMENT (continued)

Control Activity
The Portfolio and Corporate Accounting Administrator are obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

Monitoring
The Board meets on a quarterly basis to monitor the performance of the Company including review of performance reports as provided by KBC Asset Management NV and to discuss risks relevant to the Company. The Board also ensures that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors. Given the contractual obligations on the Portfolio and Corporate Accounting Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function.

Capital Structure
No person has a significant direct or indirect holding of securities in the Company except QSV Trustees Limited. No person has any special rights of control over the Company's share capital. QSV Trustees Limited holds 40,000 shares in the Company but has no direct or indirect control of the Company. There are no restrictions on voting rights.

Appointment and replacement of directors and amendments to the Articles of Association
With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association and Irish Statute comprising the Companies Act 2014. The Articles of Association themselves may be amended by special resolution of the shareholders.

Powers of Directors
The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The directors may delegate certain functions to other parties, subject to supervision and direction by the Board. The Board has delegated the day to day administration of the Company to the Portfolio Administrator.

Audit committee
Statutory audits in Ireland are regulated by the European Communities (Statutory audits) (Directive 2006/43/EC) Regulations 2016. As the principal duties of an Audit Committee are completed by the Board, the Company has taken the exemption available for Section 110 companies set out under section 1551 of the Companies Act 2014 not to have a separate Audit Committee.

INDEPENDENT AUDITOR
The directors first appointed Ernst and Young as auditor at the Company's board meeting on 29th September 2017. On the 9th January 2019, Ernst and Young were reappointed as auditor for the year ended 30th April 2019. Ernst and Young have indicated their willingness to continue in office in accordance with section 383 (2) of the Companies Act 2014.

DISCLOSURE OF INFORMATION TO AUDITORS
The directors in office at the date of this report have each confirmed that:

- as far as he/she is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

On behalf of the board

John Fitzpatrick
Director

Michael Boyce
Director

Date: 29 August 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

Directors' responsibilities for the preparation of the annual report and audited financial statements
The directors' are responsible for preparing the Directors' Report and the audited financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss and other comprehensive income of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

Each of the directors whose name and functions are listed on page 1 confirm to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as issued by the IASB and as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report which is incorporated into the directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face.

On behalf of the board

John Fitzpatrick
Director

Michael Boyce
Director

Date: 29 August 2019

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERMILLION PROTECTIVE BOND PORTFOLIO PLC

Opinion

We have audited the financial statements of Vermillion Protective Bond Portfolio Plc ('the Company') for the year ended 30 April 2019, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with provision of Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Board of Directors
Valuation of Financial Instruments at Fair Value Through Profit or Loss, Derivative Assets and Derivative Liabilities **Bonds: €297.55 million (2018: €352.17 million)** **Derivative Assets: €1.57 million (2018: €3.25 million)** **Derivative Liabilities: €8.17 million (2018: €11.70 million)** The financial instruments at fair value through profit or loss included in the Statement of Financial Position of the Company primarily comprise of corporate bonds, interest rate swaps and cross currency swaps. Further details of these financial instruments can be found in Note 3, Note 12, Note 13 and Note 18 of the financial statements. There is a risk that financial instruments may not be valued correctly. The nature and size of the balance and its importance to the Company are such that we have identified this as a key audit matter.	We focused our audit procedures to determine that the fair values of the financial instruments were appropriate: In obtaining sufficient audit evidence we: • We assessed the appropriateness of policies governing the accounting treatment and valuation of financial instruments. • We obtained an understanding, evaluated and tested the design effectiveness of key controls over the valuation of the financial instruments including appropriate governance procedures and management review. • We independently tested the valuation of bonds and derivative financial instruments, using pricing sources and valuation models available to us.	Our planned audit procedures were completed and no material exceptions were noted.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be €3,024,945 (2018: €3,612,988) which is 1% (2018: 1%) of the financial liabilities designated at fair value through profit or loss. We believe that financial liabilities designated at fair value through profit or loss provides us with the most appropriate basis for materiality having considered the expectation of the users of the financial statements and the overall business environment. During the course of our audit, we reassessed initial materiality and concluded that our initial determination of materiality was still appropriate.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 50%) of our planning materiality, namely €2,268,709 (2018: €1,806,494). We have set performance materiality at this percentage based on our knowledge of the Company and industry, effectiveness of the control environment, our assessment of the risks associated with the engagement. The performance materiality was set at 50% in the prior year and has been increased to 75% in the current year. This is primarily as a result of our experience on the engagement while not having noted any material issues in the prior year.

Reporting threshold
The reporting threshold is set at the amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of €151,247 (2018: €180,649), which is set at 5% (2018: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. Taken together, this enables us to form an opinion on the Company financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of entity-wide controls, including controls within the administrator when assessing the level of work to be performed.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERMILLION PROTECTIVE BOND PORTFOLIO PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and the Directors' Responsibilities Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' report is consistent with the financial statements; and

- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of Directors' report and the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are in relation to compliance with Irish Companies Act 2014 and IFRS as adopted by the European Union.

We understood how the Company complies with the framework established by understanding the entity level controls. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The internal control process includes the appointment of the Administrator to maintain the accounting records of the Company independently of the arranger and the custodian.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERMILLION PROTECTIVE BOND PORTFOLIO PLC (continued)

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by performing substantive procedures in relation to the financial statement close process.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

In relation to the key audit matter risk over Valuation of Financial Instruments at Fair Value Through Profit or Loss, further discussion to it is set out in the Key Audit Matters above.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf .

This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by Board of Directors on 14 June 2018 to audit the financial statements for the year ending 30 April 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ramakrishnan R

Ramakrishnan Ramanathan
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Office: Dublin

Date: 29 August 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the financial year ended 30 April 2019

	Notes	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Interest income on financial assets designated at fair value through profit or loss	5	7,972,229	9,704,327
Interest expense on financial liabilities designated at fair value through profit or loss	6	(3,746,662)	(2,619,648)
Realised loss on financial assets designated at fair value through profit or loss	12	(6,233,638)	(12,606,060)
Realised gain on financial liabilities designated at fair value through profit or loss	15	324,110	2,756,178
Movement in unrealised gain/(loss) on financial assets designated at fair value through profit or loss	12	11,765,615	(9,197,011)
Movement in unrealised (loss)/gain on financial liabilities designated at fair value through profit or loss	15	(8,816,699)	11,797,655
Net (expense)/income from derivatives held for trading	7	(2,480,499)	363,699
Net bond lending fee income	8	25,452	4,804
Net foreign exchange gain		1,685,379	366,743
Net investment income		495,287	570,687
Other income	9	545	199
Other expenses	10	(494,832)	(569,886)
Profit on ordinary activities before taxation		1,000	1,000
Taxation	11	(250)	(250)
Profit and total comprehensive income for the year		750	750

The accompanying notes to the financial statements from page 18 to 50 form an integral part of the financial statements. In arriving at the results of the financial year, all amounts above relate to continuing operations.

STATEMENT OF FINANCIAL POSITION
as at 30 April 2019

	Notes	As at 30/04/2019 €	As at 30/04/2018 €
Assets			
Cash and cash equivalents	14	8,117,241	14,894,823
Derivatives held for trading	13	1,568,034	3,246,861
Financial assets designated at fair value through profit or loss	12	297,550,687	352,172,869
Amounts receivable from custodian		1,938,652	19,854
Interest receivable on investments		2,381,005	3,356,550
Bond lending fee income receivable		19,115	4,851
Expense prepayment		3,874	19,697
Total assets		311,578,608	373,715,505
Liabilities			
Derivatives held for trading	13	8,168,260	11,697,530
Amounts payable to custodian		4,956	38,398
Interest payable on notes issued		837,747	622,167
Expense accruals		31,041	16,512
Financial liabilities designated at fair value through profit or loss	15	302,494,502	361,298,796
Total liabilities		311,536,506	373,673,403
Equity			
Called up share capital	16	40,000	40,000
Profit and loss account		2,102	2,102
Total equity		42,102	42,102
Total liabilities and equity		311,578,608	373,715,505

The accompanying notes to the financial statements from page 18 to 50 form an integral part of the financial statements.

On behalf of the board

John Fitzpatrick
Director

Michael Boyce
Director

Date: 29 August 2019

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 30 April 2019

	Called up share capital €	Profit and loss account €	Total equity €
Balance as at 30 April 2017	40,000	2,102	42,102
Total comprehensive income for the year			
Profit for the year	-	750	750
Other comprehensive income	-	-	-
	-	750	750
Dividend paid during the year	-	(750)	(750)
Balance as at 30 April 2018	40,000	2,102	42,102
Total comprehensive income for the year			
Profit for the year	-	750	750
Other comprehensive income	-	-	-
	-	750	750
Dividend paid during the year	-	(750)	(750)
Balance as at 30 April 2019	40,000	2,102	42,102

The accompanying notes to the financial statements from page 18 to 50 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the financial year ended 30 April 2019

	Notes	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Cash flows from operating activities			
Interest received on investments		8,947,774	10,646,944
Interest paid on notes issued		(3,531,083)	(2,632,025)
Derivative receipts		6,950,546	9,623,849
Derivative payments		(11,281,487)	(17,227,128)
Bond lending fee receipt		106,219	7,157
Bond lending fee expense		(95,030)	(7,204)
Other income		35	186
Other expenses		(467,895)	(596,773)
Cash generated from/(used in) operating activities		629,079	(184,994)
Taxes paid		(250)	(250)
Net generated from/(used in) operating activities		628,829	(185,244)
Cash flows from investing activities			
Investment purchases		(117,053,457)	(172,630,657)
Investment paydowns and disposals		175,255,682	244,413,707
Net cash from investing activities		58,202,225	71,783,050
Cash flows from financing activities			
Proceeds from note issuance		67,905,229	126,936,709
Redemption and repurchase of notes		(135,198,494)	(191,917,782)
Dividend paid		(750)	(750)
Net cash used in financing activities		(67,294,015)	(64,981,823)
Net (decrease)/increase in cash and cash equivalents		(8,462,961)	6,615,983
Cash and cash equivalents at beginning of the year		14,894,823	7,912,097
Effect of exchange rate changes on cash and cash equivalents		1,685,379	366,743
Cash and cash equivalents at end of the year	14	8,117,241	14,894,823

The accompanying notes to the financial statements from page 18 to 50 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Vermillion Protective Bond Portfolio Plc (the "Company"), an Irish registered Company (registration number: 426055) was incorporated on 5 September 2006 to issue notes. The cash proceeds are used to invest in commercial papers, bonds and time deposits. The registered office of the Company is Riverside One, Sir John Rogerson's Quay, Dublin 2.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared for the financial year ended ("Year Ended") 30 April 2019, in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the Companies Act 2014.

(b) New standards and interpretations adopted

The accounting policies adopted are consistent with those of the previous financial year.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The standard has been endorsed by the European Union. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

In the current year, the Company has adopted IFRS 9 Financial Instruments. As the Company has always measured its financial assets at fair value, the application of the change in the standard did not have any material impact on the comparative information for the year ended 30 April 2018.

The Company applied IFRS 9 using full retrospective approach except for hedge accounting which is generally applied prospectively. This has not resulted in any change to the classification or measurement of financial instruments.

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into three classifications – amortised cost, fair value through profit or loss and fair value through other comprehensive income. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset would be measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If an asset meets both of these conditions it is required to be measured at fair value through other comprehensive income unless, on initial recognition, it is designated at fair value through profit or loss to address an accounting mismatch. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit/counterparty risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit/counterparty risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit/counterparty risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss is presented in profit or loss.

The Company classifies its financial assets and financial liabilities as subsequently measured at fair value through profit or loss on the basis of both its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets and financial liabilities.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category cash and cash equivalents, and short-term receivables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Basis of preparation (continued)

(b) New standards and interpretations adopted (continued)

The Company holds only short term receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its financial assets measured at amortised cost. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value through profit or loss.

The requirements under IFRS 9 for impairment and hedge accounting did not affect the Company. In line with the characteristics of the Company's financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets and liabilities that were classified as fair value through profit and loss under IAS 39 are still classified as being at fair value through profit or loss under IFRS 9. The standard did not have a significant impact on the Company's financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities (in both the long and short duration portfolios) as being at fair value through profit or loss.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning 1 January 2018 that have a material effect on the financial statements of the Company.

(c) New standards and interpretations not yet adopted

The IFRSs applied by the Company in the preparation of these financial statements are those effective for accounting periods beginning on or before 1 May 2018. A number of new standards, amendments to standards and interpretations in issue are not yet effective for accounting periods beginning on or before 1 May 2018, and the Company has not early adopted them. The new standards and interpretation not yet adopted will not have a material effect on the financial statements of the Company.

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities designated at fair value through profit or loss and derivatives held for trading which are also measured at fair value.

(e) Functional and presentation currency

These financial statements are presented in Euro which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. The Company has issued notes primarily in Euro and the directors of the Company believe that Euro most faithfully represents the economic effects of the underlying transactions, events and conditions. Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign currency closing exchange rate ruling at the statement of financial position date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign currency exchange rates ruling at the dates that the values were determined.

(f) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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. The estimates and underlying assumptions are reviewed on an ongoing basis.

2. Basis of preparation (continued)

(f) Use of estimates and judgements (continued)

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 current and future periods.

A key area of estimation for this Company would be in the determination of fair values for financial assets, derivatives and financial liabilities for which there is no observable market price. The valuation techniques used and the accounting judgements applied when determining the fair value of financial assets and liabilities for which there is no observable market price are described in the significant accounting policy Note 3(f) "Financial instruments: Fair Value Measurement Principles".

IFRS 13 "Fair Value Measurement" establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), including inputs from markets that are not considered to be active
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instruments. The fair value hierarchy is set out in Note 18(h) "Financial instruments, principal risks and uncertainties: Fair values".

3. Significant accounting policies

(a) Interest income and expense

Interest income is accounted for on an accrual basis using the coupon rate. Due to the limited recourse nature of the notes issued, the Company is only required to pay the interest if it has collected sufficient funds to cover the amount due after having retained a reserved profit of €1,000 per annum for the Company.

(b) Net bond lending fee income

The net bond lending fee income includes the fee income for providing the bond lending service, expense from the re-investment of the cash collateral, rebate of income from the re-investment of the cash collateral, custodian bond lending fee expense and bond lending agent fee expense. Fee income and expenses are accounted for on an accruals basis.

(c) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period as calculated in accordance with Irish Tax Laws. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the statement of financial position method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(d) Net income from derivatives held for trading

The net income from derivatives held for trading includes the fair value movements, settlement receipts and settlement payments for derivatives.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash held with banks which are subject to insignificant risk of changes in their values and are used by the Company in the management of its short term commitments.

(f) Financial instruments

Classification

A financial asset or financial liability at fair value through profit or loss is a financial asset or liability that is classified as held-for-trading or designated at fair value through profit or loss.

The Company has designated its investments held and notes issued at fair value through profit or loss on the basis that they form part of a group of financial assets and financial liabilities which is managed, and the performance of which is evaluated, on a fair value basis in accordance with a documented investment strategy and information about these financial assets and financial liabilities is provided internally on a fair value basis to the entity's key management personnel.

The Company has classified the cross currency swaps and interest rate swaps and which it has entered into as derivatives held for trading. These derivatives have not been formally designated into a hedging relationship and as such changes in their fair value are recognised in the statement of profit or loss and other comprehensive income.

Measurement

Financial instruments are recognised initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments classified at fair value through profit or loss, are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

Fair Value Measurement Principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market.

The determination of fair values of financial assets, financial liabilities and derivatives for the Company is based on a combination of quoted prices in active markets and valuation models, which are developed from recognised valuation models. Judgements are required in the determination of fair value of financial assets, financial liabilities and derivatives for which prices may not be readily available. Judgements include deciding which valuation technique to be applied in determination of fair value, the inputs required for these techniques and where to include these financial assets, financial liabilities and derivatives in the fair value hierarchy. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. Due to the limited recourse nature of the notes issued, the determination of fair values of financial liabilities is based on a valuation model which will include the fair value of financial assets and derivatives held for trading and the carrying value of cash and cash equivalents, interest receivable, interest payable, other assets and other liabilities. The fair value of the notes issued falls within Level 2 of the fair value hierarchy.

The fair values of financial assets classified under Level 2 are determined using recognised pricing services with 2 or more contributors or a combination of broker quotes. The fair value for commercial papers are based on a discounted cash flow model which uses market interest rates as an input. The fair value for commercial papers falls within Level 2 of the fair value hierarchy as the inputs are market observable. The fair value for bonds is based on quoted bid market prices. The fair value of bonds based on quoted bid prices falls within Level 2 on the fair value hierarchy. If quoted prices are not available for bonds the fair value is based on a model which uses credit default spreads or analogue bond spreads as an input. The fair value of bonds based on a model which uses credit default spreads or analogue bond spreads as an input falls within Level 2 on the fair value hierarchy as the inputs are market observable. The fair values of cross currency swaps and interest rate swaps are based on net present values of future cash flows within the swap contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

Valuation models are used to value swaps which use market interest and foreign exchange rates to obtain a fair value for cross currency swaps and market interest rates for interest rate swaps. The fair value of cross currency swaps and interest rate swaps falls within Level 2 on the fair value hierarchy as the inputs are market observable. The derivative financial instruments, mainly because of their many features are not subject to a direct quotation in markets. For these instruments, the fair value is determined by "company" using valuation techniques commonly used by market participants to assess financial instruments such as discounted future cash flows for swaps.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category cash and cash equivalents, and short-term receivables.

Recognition

The Company initially recognises all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments. From trade date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the statement of profit or loss and other comprehensive income.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(g) Bond lending

Bonds lent by the Company are not derecognised in the statement of financial position as the Company still has the right to the cash flows from the bonds lent and the Company still retains the risk and rewards of ownership of the bonds lent.

(h) Segment reporting

An operating segment is a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assess the performance of the operating segments of a company.

(i) Redeemable notes in issue

The Notes issued by the Company are classified as financial liabilities as they do not meet the conditions set out under IAS 32 – Financial Instruments: Presentation to be classified as equity. The Notes are redeemable upon maturity but can also be early redeemed subject to a strict criteria as set out in the base prospectus. The Company (the "Issuer") has the option to "call" the Notes by giving an irrevocable notice to the Noteholders, falling within the Issuer's Option Period, which shall not be a period shorter than 5 business days. The Noteholders also have an option to early redeem the Notes before the final maturity date by providing an option exercise notice to the paying agent which shall not be a period shorter than 10 Business Days. There is a pre-

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(i) Redeemable notes in issue (continued)

notice redemption period as set out in the term sheet of each series of Notes. The Notes are generally early redeemed at the option of the Issuer as part of normal operating cycle. All the Noteholders have waived their right to exercise the option to early redeem for at least 12 months from the year end date. The Notes are only available for subscription to Belgian, Luxemburg and Hungarian capital protected and structured funds, for all of which the liquidity management is serviced by KBC Fund Management Ltd. The waiver on the put option will be reviewed on an annual basis by the Noteholders and outcome will be taken into consideration when determining the most appropriate maturity classification for the outstanding Notes. The Notes have all been classified as maturing in 'greater than one year' in the financial statements.

4. Financial assets and liabilities

The following table details the categories of financial assets and liabilities held by the Company at the reporting date:

	Fair value as at 30/04/19 €	Carrying value as at 30/04/19 €	Fair value as at 30/04/18 €	Carrying value as at 30/04/18 €
Assets				
Financial assets designated at fair value through profit or loss				
Investments at fair value	297,550,687	297,550,687	352,172,869	352,172,869
Derivatives held for trading	1,568,034	1,568,034	3,246,861	3,246,861
Other assets	12,459,887	12,459,887	18,295,775	18,295,775
Total assets	311,578,608	311,578,608	373,715,505	373,715,505
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Notes issued at fair value	(302,494,502)	(302,494,502)	(361,298,796)	(361,298,796)
Derivatives held for trading	(8,168,260)	(8,168,260)	(11,697,530)	(11,697,530)
Other liabilities	(873,744)	(873,744)	(677,077)	(677,077)
Total liabilities	(311,536,506)	(311,536,506)	(373,673,403)	(373,673,403)

Other assets as presented above represent cash and cash equivalents, interest receivable on investments, expenses prepayment, amounts receivable from custodian and bond lending fee income receivable as detailed in the statement of financial position. All are considered recoverable within less than 1 year.

Other liabilities as presented above represent expense accruals, interest payable on notes issued and amounts payable to custodian as detailed in the statement of financial position. All are considered payable within less than 1 year.

5. Interest income on financial assets designated at fair value through profit or loss	**Year ended 30/04/2019 €**	**Year ended 30/04/2018 €**
Interest income on investments	7,972,229	9,704,327

6. Interest expense on financial liabilities designated at fair value through profit or loss	**Year ended 30/04/2019 €**	**Year ended 30/04/2018 €**
Interest expense on notes issued	3,746,662	2,619,648

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Net (expense)/income from derivatives held for trading

	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Settled derivative receipts	6,950,546	9,623,849
Settled derivative payments	(11,281,487)	(17,227,128)
Fair value movement on derivatives held for trading	1,850,442	7,966,978
Net income from derivatives held for trading	(2,480,499)	363,699

8. Net bond lending fee income

	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Fee income for providing bond lending service	25,444	3,789
Expense from re-investment of collateral	(88,104)	(6,357)
Income from re-investment of collateral	94,207	8,220
Custodian bond lending fee expense	(6,926)	-
Agent bond lending fee income/(expense)	831	(848)
	25,452	4,804

9. Other income

	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Settled interest income from cash and cash equivalents	22	185
Unsettled interest income from cash and cash equivalents	523	14
	545	199

10. Other expenses

	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Portfolio management fees	352,292	419,905
Legal fees	1,818	7,938
Auditors' fees	11,439	13,838
Directors' fees (sole fees paid for services as role of director)	2,500	2,500
Tax compliance fees	2,569	3,167
Custody fees	2,741	58,980
Other expenses	121,473	63,558
	494,832	569,886

The Company is administered by KBC Asset Management N.V. The Company has no employees throughout the year *(2018: Nil)*.

Fees charged by the Company's auditors in respect of the financial year (excluding VAT) were as follows:

	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Audit of financial statements	9,300	11,250
Non audit services	-	-
Tax advisory services	2,089	2,575
Other assurance services	-	-
	11,389	13,825

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Taxation

The Company is subject to Irish Corporation tax at the Irish Corporation tax rate that applies to income other than trading income. The effective tax rate is 25% and not expected to change.

	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Corporation tax	250	250
Factors affecting tax charge for the year has been calculated as follows:		
Profit on ordinary activities before tax	1,000	1,000
Current tax at 25% for the year	250	250

The Company will continue to be actively taxed in accordance with Section 110 of the Taxes Consolidation Act 1997.

12. Financial assets designated at fair value through profit or loss

	As at 30/04/2019 €	As at 30/04/2018 €
Financial assets with a maturity greater than 1 year		
Investments in EUR bonds	119,936,486	166,637,166
Investment in USD bonds	90,524,176	84,921,777
Investment in CZK bonds	614,775	4,277,947
	211,075,437	255,836,890
Financial assets with a maturity within 1 year		
Investments in EUR bonds	72,307,198	81,096,903
Investment in USD bonds	12,205,724	15,050,101
Investment in CZK bonds	1,962,328	-
Investment in PLN time deposits	-	188,975
	86,475,250	96,335,979
Total financial assets designated at fair value through profit or loss	297,550,687	352,172,869

The Company has pledged €6,492,874 *(2018: €7,711,755)* of its short duration investments and €1,160,332 *(2018: €1,109,348)* of its long duration investments as collateral for derivative contracts. The Company has lent €13,136,990 *(2018: €39,178,321)* of its short duration bonds and €6,995,403 *(2018: €12,128,613)* of its long duration bonds under a securities lending agreement. Société Générale S.A. was appointed as the agent to lend bonds as advised by KBC Asset Management NV on behalf of the Company to an approved list of counterparties under the terms of a securities lending agreement. Bonds may only be lent to counterparties against the transfer of eligible collateral. This collateral is then re-invested to earn a return. The eligible collateral types and re-investment parameters are set out in Note 18(g) "Financial instruments, principal risks and uncertainties: Collateral". Société Générale S.A. may lend securities for an indefinite period of time to counterparties. However, they may be recalled by the Company at any time by giving notice, at the latest, by close of business within each of the relevant markets, so as to enable bonds (or equivalent) to be delivered according to the normal settlement cycles applicable in such markets. As soon as the bonds are returned to the Company the collateral is repaid to the counterparty.

The Company invests into a large diverse portfolio of investments with a mixture of floating and fixed rate bonds and fixed rate commercial papers. The breakdown of the interest risk profile of the investments held is provided in Note 18(d) (ii) "*Financial instruments, principal risks and uncertainties: Market risk: Interest rate risk*". The credit quality of the investments held is set out in Note 18(a) "*Financial instruments, principal risks and uncertainties: Credit/counterparty risk*". The geographical concentrations and industrial sector concentrations of the investments held is set out in Note 18(b) "*Financial instruments, principal risks and uncertainties: Concentration risk*".

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Financial assets designated at fair value through profit or loss (continued)

	As at 30/04/2019 €	As at 30/04/2018 €
Opening balance	352,172,869	447,579,393
Purchases of investments	117,019,810	170,796,448
Unsettled purchases of investments	-	33,647
Sales of investments	(175,235,841)	(244,413,707)
Unsettled sales of investments	(1,938,128)	(19,841)
Realised loss on investments	(6,233,638)	(12,606,060)
Movement in unrealised gain/(loss) on investments	11,765,615	(9,197,011)
Closing balance	297,550,687	352,172,869

13. Derivatives held for trading

	As at 30/04/2019 €	As at 30/04/2018 €
Derivatives with a maturity greater than 1 year		
Derivative assets		
- Cross currency swaps	381,743	454,506
- Interest rate swaps	791,409	1,851,826
	1,173,152	2,306,332
Derivative liabilities		
- Cross currency swaps	(2,666,977)	(3,510,353)
- Interest rate swaps	(2,934,850)	(6,845,695)
	(5,601,827)	(10,356,048)
Derivatives with a maturity within 1 year		
Derivative assets		
- Cross currency swaps	276,119	885,625
- Interest rate swaps	118,763	54,904
	394,882	940,529
Derivative liabilities		
- Cross currency swaps	(433,843)	(7,889)
- Interest rate swaps	(2,132,590)	(1,333,593)
	(2,566,433)	(1,341,482)

	As at 30/04/2019 €	As at 30/04/2018 €
Currency analysis		
Cross currency swaps		
EUR	(1,669,903)	(1,718,603)
USD	(773,055)	(459,508)
Interest rate swaps		
EUR	(3,732,294)	(7,172,192)
CZK	66,939	37,563
USD	(491,913)	862,071

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Cash and cash equivalents

	As at 30/04/2019 €	As at 30/04/2018 €
Cash held with KBC Bank NV	8,117,241	14,894,823

Cash is held in current accounts which have no special terms and conditions.
Cash is available on demand.

	As at 30/04/2019 €	As at 30/04/2018 €
Currency analysis		
EUR	6,518,435	8,399,149
USD	1,162,204	5,251,828
CZK	400,446	1,208,032
HUF	36,156	29,584
PLN	-	6,230

15. Financial liabilities designated as at fair value through profit or loss

		As at 30/04/2019 €	As at 30/04/2018 €
Short Duration			
Class	**Coupon**		
EUR notes issued -	6 month EURIBOR less 0.07%	132,227,168	186,451,365
CZK Notes issued -	6 month PRIBOR less 0.81%	16,684,082	21,101,003
USD notes issued -	6 month USD LIBOR plus 0.23%	78,632,882	85,617,840
HUF Notes issued -	6 month BUBOR less 0.15%	7,688,244	3,125,944
PLN Notes issued -	6 month WIBOR less 0.32%	-	179,159
		235,232,376	296,475,311
Long Duration			
Class	**Coupon**		
EUR Notes issued -	6 month EURIBOR plus 0.15%	11,222,018	11,199,581
CZK Notes issued -	6 month PRIBOR less 0.48%	13,635,312	12,278,331
USD Notes issued -	6 month USD LIBOR plus 0.49%	42,404,796	41,345,573
		67,262,126	64,823,485
Total financial liabilities designated at fair value through profit or loss		302,494,502	361,298,796

In addition to the floating rate coupon, the notes issued also carry a return in the form of a profit participating "excess spread". Due to this profit participating excess spread, the notes effectively receive all realised income and gains in excess of a reserved profit amount net of other expenses. The Company is entitled to retain a reserved profit of €1,000 per annum. All of the notes issued by the Company are held by KBC Capital Protected Funds, which have KBC Asset Management NV acting as portfolio manager. All notes issued are listed on Euronext Dublin and are limited recourse. The noteholders have the right to early redeem notes until the final maturity date by providing an exercise notice to the paying agent. All the Noteholders have waived their right to exercise the option to early redeem for at least 12 months from the year end date.

All of the short duration noteholders share all of the risks of investments in the short duration portfolio on a pro-rata basis. All of the long duration noteholders share all of the risks of investments in the long duration portfolio on a pro-rata basis.

Since inception, the noteholders have never had the need to exercise their put option, since the existing bi-weekly "quinzaine" process offers the necessary liquidity. In practice, the quinzaine mechanism is in place to ensure liquidity by matching orders to sell SPV-notes (on the assets side of existing capital protected and structured funds, following redemptions on their liabilities side) with orders to buy SPV-notes (on the assets side of newly launched capital protected and structured funds). Any remaining selling orders of SPV-notes that would not find a matching buying order will be bought by the issuing SPV by freeing up the necessary liquidity to that effect.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial liabilities designated as at fair value through profit or loss (continued)

The Company has designated its debt securities issued at Fair Value through Profit or Loss in order to eliminate measurement or recognition inconsistency that would otherwise arise if measured at amortised cost as the underlying investments are classified at Fair Value through Profit or Loss. Gains and losses on debt securities issued arising from changes in own credit risk are not recorded in OCI as recognising such fair value changes in OCI would create or enlarge an accounting mismatch in the profit and loss.

	As at 30/04/2019 €	As at 30/04/2018 €
Opening balance	361,298,796	440,833,702
Redemption of notes issued	(135,198,494)	(191,917,782)
Unsettled redemption of notes issued	(3,618)	-
Issuance of notes issued	67,905,229	126,936,709
Gain on notes issued	(821,854)	(638,137)
Foreign currency loss/(gain)	9,314,443	(13,915,696)
Closing balance	302,494,502	361,298,796

Foreign currency gain or loss as presented above includes both unrealised and realised foreign currency gains/losses.

Gains on notes issued includes both realised and unrealised gains/losses on the Notes.

The maturity profile of the notes issued is as follows:

Short Duration

Note Identifier	Series Name	Maturity Date	Nominal Value of Notes Issued	Carrying Amount as at 30/04/2019 €	Carrying Amount as at 30/04/2018 €
EUR Notes issued - 6 month EURIBOR less 0.07%					
XS1380630894	Series No. 2016-29	10/01/2040	20,557,000	20,337,960	36,024,160
XS1380630977	Series No. 2016-30	10/02/2040	569,000	563,083	1,099,439
XS1380631199	Series No. 2016-31	23/03/2040	26,946,000	26,673,728	38,960,444
XS1380631272	Series No. 2016-32	23/04/2040	17,474,000	17,300,474	32,154,310
XS1380631439	Series No. 2016-33	09/05/2040	51,284,000	50,703,375	45,452,619
XS1380631355	Series No. 2016-34	22/06/2040	16,831,000	16,648,548	32,760,393
				132,227,168	186,451,365
CZK Notes issued - 6 month PRIBOR less 0.81%					
XS1380629532	Series No. 2016-37	10/01/2040	391,500,000	15,092,168	19,442,079
XS1380629615	Series No. 2016-38	23/03/2040	36,300,000	1,399,178	1,461,043
XS1380629706	Series No. 2016-39	09/05/2040	5,000,000	192,736	197,881
				16,684,082	21,101,003
USD Notes issued - 6 month USD LIBOR plus 0.23%					
XS1380631512	Series No. 2016-35	10/01/2040	55,910,000	49,347,085	62,245,242
XS1380631603	Series No. 2016-36	23/03/2040	33,192,000	29,285,797	23,372,598
				78,632,882	85,617,840
HUF Notes issued - 6 month BUBOR less 0.15%					
XS1541157225	Series No. 2017-49	10/01/2040	2,518,000,000	7,688,244	3,125,944
PLN Notes issued - 6 month WIBOR less 0.32%					
XS1380629888	Series No. 2016-40	10/01/2040	-	-	179,159

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial liabilities designated at fair value through profit or loss (continued)

Long Duration

Note Identifier	Series Name	Maturity Date	Nominal Value of Notes Issued	Carrying Amount as at 30/04/2019 €	Carrying Amount as at 30/04/2018 €
EUR Notes issued - 6 month EURIBOR less 0.15%					
XS1380630035	Series No. 2016-42	23/03/2040	1,526,000	1,541,084	5,905,274
XS1380630209	Series No. 2016-43	23/04/2040	-	-	95,184
XS1380630118	Series No. 2016-44	09/05/2040	9,572,000	9,662,759	3,965,158
XS1380630381	Series No. 2016-45	22/06/2040	18,000	18,175	1,233,965
				11,222,018	11,199,581
CZK Notes issued - 6 month PRIBOR less 0.48%					
XS1380630621	Series No. 2016-48	10/01/2040	346,400,000	13,635,312	12,278,331
USD Notes issued - 6 month USD LIBOR less 0.49%					
XS1380630464	Series No. 2016-46	10/01/2040	-	-	2,266,772
XS1380630548	Series No. 2016-47	23/03/2040	47,068,000	42,404,796	39,078,801
				42,404,796	41,345,573

A summary maturity analysis of the notes issued is as follows:

	As at 30/04/2019 €	As at 30/04/2018 €
Amounts falling due		
Greater than 1 year	302,494,502	361,298,796

The notes issued are designated as financial liabilities at fair value through profit or loss. The fair value movement on financial liabilities is due to a combination of market and credit/counterparty risk factors but information regarding the split is not available.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Called up share capital presented as equity

	As at 30/04/2019 €	As at 30/04/2018 €
Authorised:		
Ordinary shares of €1.00 each		
At start of year	40,000	40,000
Increase/(decrease) in authorised shares during the year	-	-
At end of year	40,000	40,000
Issued, called up and fully paid up:	**No. of Shares**	**No. of Shares**
Ordinary shares of €1.00 each		
At start of year	40,000	40,000
Increase/(decrease) in authorised shares during the year	-	-
At end of year	40,000	40,000

The holders of shares have the right to receive notice of, attend and vote at general meetings of the Company. The holder of each share has the right to one vote. Upon winding up, if net assets are insufficient to repay the whole paid up share capital, then the net assets will be distributed in proportion to the shares held by a shareholder. Upon winding up, if net assets are in excess of the whole paid up share capital, then the excess will also be distributed in proportion to the shares held by a shareholder. The holders of shares are entitled to receive dividends when they are declared according to the proportion of shares held.

17. Segment analysis

The Company has one reportable segment. The long duration portfolio series and short duration portfolio series have been aggregated for reporting purposes. Historically the two portfolios were split at a time following a change in the credit market environment which led to a difference in returns. Due to European Centrals Banks quantitative easing policy over the past few years the credit spread between the two portfolios has flattened and lead to a smaller difference between the short and long duration pools. The portfolios can be considered to be one reportable segment as they have similar economic characteristics, processes, distribution methods, customer class and regulatory environment. The reportable segment involves the repacking of investments on behalf of investors, which are bought from the market and subsequently securitised to avail of potential market opportunities and risk-return asymmetries. KBC Asset Management NV has been appointed as portfolio manager to the Company. At the start date of the Company, KBC Asset Management NV entered into a portfolio management agreement with the Company. Under this portfolio management agreement KBC Asset Management NV decides on how the resources of the Company are allocated in line with the strict terms and eligibility criteria as set out in the Company's Prospectus and assesses the performance of the investments held by the Company. The prospectus was agreed upon by the directors at the start date of the Company and any subsequent changes must be approved by the directors. The directors review the performance of the Company and KBC Asset Management NV report to the directors on a quarterly basis. KBC Asset Management NV decides on how the resources of the Company are allocated as well as assessing the performance of the investments held.

The following is the information reviewed by KBC Asset Management NV in deciding how resources are allocated and assessing the performance of the investments held:

- Credit quality of investments held – the credit quality of investments held are reviewed on a monthly basis by KBC Asset Management NV. The breakdown of the credit ratings of the investments held by the Company is set out in Note 18(a) "*Financial instruments, principal risks and uncertainties: Credit/counterparty risk*". For the TRS assets Goldman Sachs International proposes investments to be purchased and sold. KBC Asset Management NV approves and actions these trades only if the proposed investments fall within the strict credit eligibility criteria as set out in the Company's prospectus. The KBC Asset Management NV Risk department also rate the notes issued by the Company. This rating is based on the weighted average credit rating of the investments held by the Company. At 30 April 2019 the credit rating assigned to the notes issued by the Company by the KBC Asset Management Risk department was AA- and AA- *(30 April 2018: AA- and AA-)*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Segment analysis (continued)

- Liquidity and Asset Liability Management ("ALM") ratios – the liquidity and ALM ratios of the Company are reviewed on a monthly basis. The ALM ratio is reviewed to see if the Company is overinvested/ underinvested and whether the maturity/liquidity breakdown of the investments held is sufficient to meet the obligations to repay the notes. The total asset notional is compared against the total liability notional for each portfolio. If the functional currency notional asset exceeds the notional liability this means that the portfolio has "overinvested" by a certain percentage. If the functional currency notional liability exceeds the notional asset then this means that the portfolio has "underinvested" by a certain percentage. The liquidity breakdown is set out in Note 18(c) "Financial instruments, principal risks and uncertainties: Liquidity risk". At 30 April 2019 the short duration portfolio is underinvested by 1.42% *(2018: 1.29%)* and the long duration portfolio is overinvested by 0.81% *(2018: 0.67%)* at financial year end.

- The levels of note redemptions/subscriptions are also reviewed as this is a key driver in whether the Company has to sell investments or whether it can buy investments as note redemptions will primarily have to be funded through investment disposals. The net note redemptions for the financial year ended 30 April 2019 are set out in the cash flow from financing activities in the Statement of Cash Flows.

- Country and industry exposure – the exposure the Company has to countries and industries is reviewed by KBC Asset Management NV on a monthly basis. The level of exposure to countries and industries is decided upon by the KBC Asset Management NV Allocation Committee. The country and industrial exposure limits set by the KBC Asset Management NV Allocations Committee is a driver in what investments are purchased and sold. The industrial sector and country breakdown of investments held at 30 April 2019 is set out in Note 18(b) "Financial instruments, principal risks and uncertainties:

- Market prices and market price fluctuations – daily market price fluctuations on all investments held are reviewed by relevant KBC Asset Management NV front office staff. The market value of investments is also a key driver in what investments are purchased and sold and the movement in market value is a key performance indicator reviewed by the KBC Asset Management NV front office staff assigned to the Company. The market value as at 30 April 2019 for investments held is set out in Note 12 "Financial assets designated at fair value through profit or loss". The movement in market value for the financial year ended 30 April 2019 ("movement in unrealised gain/loss on investments") is also set out in Note 12 "Financial assets designated at fair value through profit or loss".

The Company earns interest income from its portfolio of investments which includes bonds, commercial papers and time deposits.

The breakdown of interest income for the year is as follows:

	Year ended 30/04/2019 €	**Year ended 30/04/2018** €
Interest income from bonds	7,921,516	9,690,954
Interest income from commercial papers	49,871	9,769
Interest income from time deposits	842	3,604
	7,972,229	9,704,327

The country breakdown of interest income for the year is as follows:

	Year ended 30/04/2019 €	**Year ended 30/04/2018** €
United States of America	1,771,279	1,984,065
France	1,479,021	1,599,087
The Netherlands	1,262,793	2,007,432
Australia	561,483	529,832
Sweden	535,997	786,635
Belgium	476,002	549,995
United Kingdom	473,568	686,085

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Segment analysis (continued)

The country breakdown of interest income (continued)

	Year ended 30/04/2019 €	Year ended 30/04/2018 €
Ireland	410,417	201,347
Germany	269,862	262,844
Canada	237,311	116,741
Japan	148,507	117,642
Denmark	82,973	97,000
Switzerland	71,018	327,726
Finland	51,937	138,987
Spain	38,859	133,151
Norway	37,268	74,049
Slovenia	29,205	-
Austria	23,359	91,709
Czech Republic	4,821	-
Poland	4,092	-
Luxemburg	1,867	-
Italy	590	-
	7,972,229	9,704,327

The country breakdown of non-current investments and non-current derivatives held at year end is as follows:

	As at 30/04/2019 €	As at 30/04/2018 €
Non-current investments		
France	46,519,883	47,667,464
United States of America	41,592,548	47,691,625
The Netherlands	27,217,130	37,230,771
Sweden	16,502,954	22,375,329
Australia	16,128,493	16,584,474
Denmark	13,778,621	12,132,287
Canada	11,153,551	10,023,343
Belgium	11,085,132	21,044,063
Japan	8,897,738	6,258,760
United Kingdom	4,987,959	8,107,333
Germany	2,566,766	8,098,621
Finland	2,041,360	5,369,250
Switzerland	1,997,061	2,282,874
Slovenia	1,384,597	-
Norway	1,357,357	1,245,096
Spain	1,088,712	-
Austria	1,044,254	564,000
Italy	808,200	-
Czech Republic	614,775	4,277,947
Poland	308,346	-
Ireland	-	4,883,653
	211,075,437	255,836,890
Belgium	(4,428,675)	(8,049,716)
	(4,428,675)	(8,049,716)

Due to the diversity of the portfolio of investments held no interest income earned from an individual investment exceeds 10% of total interest income for the financial year ended 30 April 2019. This benchmark was determined on inception by KBC Asset Management NV Risk department.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties

The principal risks and uncertainties of the business relate to credit/counterparty risk, concentration risk, liquidity risk, market risk and operational risk.

The Company's financial instruments include cash at bank, derivatives and financial assets at fair value through profit or loss, Notes issued at fair value through profit or loss and other accruals that arise directly from its operations. The Company is exposed to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), credit risk (including concentration risk) and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. As a condition to receiving credit in coverage tests when purchasing a non-euro denominated obligation, KBC Asset Management NV the Portfolio Manager must, on behalf of the Company, enter into an asset swap transaction. The swap transactions entered into by the Company only provide a portion of cover against exposure to negative movements in foreign currency assets.

(a) Credit/counterparty risk

Credit/counterparty risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's portfolio of investments and derivatives. All the short duration noteholders share all of the risks and rewards of the investments in the short duration portfolio on a pro-rata basis and all the long duration noteholders share the risks and rewards of the investments in the long duration portfolio on a pro-rata basis.

The Company is exposed to credit risk on financial assets at fair value through profit or loss. This class of financial assets are not subject to IFRS 9's impairment requirements as they are measured at Fair Value through profit or loss.

The maximum gross exposure to credit/counterparty risk at the statement of financial position date was:

	As at 30/04/2019	**As at 30/04/2018**
Short Duration	**€**	**€**
Financial assets designated at fair value through profit or loss	230,074,987	287,011,867
Derivatives held for trading	954,067	2,187,506
Cash and cash equivalents	7,186,588	14,022,808
Interest receivable on investments	1,969,349	2,890,920
Bond lending fee income receivable	14,435	3,782
Amounts receivable from broker	1,938,651	13
Other receivables	1,937	7,945
	242,140,014	306,124,841
Long Duration		
Financial assets designated at fair value through profit or loss	67,475,700	65,161,002
Derivatives held for trading	613,967	1,059,354
Cash and cash equivalents	930,653	872,015
Interest receivable on investments	411,656	465,630
Bond lending fee income receivable	4,680	1,069
Amounts receivable from broker	1	19,841
Other receivables	1,937	11,753
	69,438,594	67,590,664

No financial asset is past due. The Company's net exposure to credit/counterparty risk is minimal as the notes issued by it are limited recourse. Consequently, any loss suffered on the assets held will reduce the amount which the Company is required to pay to the noteholders and therefore does not result in a loss to the Company. Management have outsourced the responsibility of monitoring credit/counterparty risk to KBC Asset Management NV.

KBC Asset Management NV's Risk department monitors the credit/counterparty risk for the investments held by the Company by monitoring external credit ratings for the investments held by the Company on a monthly basis. The following are the minimum credit ratings for investments held by the Company, which the KBC Asset Management NV's Risk department monitors during its review:

18. Financial instruments, principal risks and uncertainties (continued)

(a) Credit/counterparty risk (continued)

- The minimum short term credit rating is at least A-1 from Standard & Poor's or an equivalent short term credit rating from Moody's or Fitch. If a short term security is not rated by any of these credit rating agencies, it must have a short term credit/counterparty risk profile equivalent to, or better than, in the opinion of the KBC Asset Management NV's Risk department, a short term credit rating of A-1 from Standard & Poor's.
- The minimum longer term credit rating is at least A- from Standard & Poor's or an equivalent long term credit rating from Moody's or Fitch. If a long term security is not rated by any of these credit rating agencies, it must have a long term credit/counterparty risk profile equivalent to, or better than, in the opinion of the KBC Asset Management NV's Risk department, a long term credit rating of A- from Standard & Poor's.
- There are certain specified securities in the Company's prospectus that may be invested into even if they fall outside the above credit ratings. There is a maximum notional amount that can be invested into these specified securities.

The Company's financial assets subject to the ECL model within IFRS 9 are only short-term receivables. At 30 April 2019, the total of short-term was immaterial and on which a nil loss allowance had been provided (30 April 2018 also immaterial and on which no loss had been incurred). No assets are considered impaired and no amounts have been written off in the period. As only short-term receivables are impacted by the IFRS 9 ECL model, the Company has adopted the simplified approach. No loss allowance has been recognised as the amortised cost financial assets are short term in nature and IFRS 9 ECL provision is not material.

The following is the breakdown of the credit ratings for the financial assets designated at fair value through profit or loss held by the Company as at 30 April 2019. The financial assets are assigned either a long term or short term credit rating based on their original maturity at the date of purchase:

Short Duration

Rating	Rating agency	As at 30/04/2019 %	As at 30/04/2018 %
Long term			
AAA	Standards & Poor's	4.04	2.33
AA+	Standards & Poor's	0.45	0.20
AA	Standards & Poor's	-	1.01
AA-	Standards & Poor's	12.93	15.96
A+	Standards & Poor's	26.88	19.76
A	Standards & Poor's	11.70	17.68
A-	Standards & Poor's	13.43	11.10
Aaa	Moody's	11.74	10.63
Aa2	Moody's	7.07	6.24
Aa3	Moody's	4.16	3.45
A1	Moody's	0.53	1.83
A3	Moody's	1.32	1.43
Baa1	Moody's	0.79	-
AAA	Fitch	0.47	0.38
AA-	Fitch	-	1.58
A+	Fitch	0.89	1.49
A	Fitch	3.02	4.86
A-	Fitch	0.58	-
		100.00	99.93
Short term			
A-1	Standards & Poor's	-	0.07
		-	0.07

18. Financial instruments, principal risks and uncertainties (continued)

(a) Credit/counterparty risk (continued)

Long Duration

Rating *Long term*	**Rating agency**	**As at 30/04/2019** **%**	**As at 30/04/2018** **%**
AAA	Standards & Poor's	10.98	8.67
AA+	Standards & Poor's	3.03	3.13
AA-	Standards & Poor's	7.13	19.31
A+	Standards & Poor's	2.80	0.77
A	Standards & Poor's	13.79	20.33
A-	Standards & Poor's	23.55	12.12
Aaa	Moody's	14.48	15.82
Aa2	Moody's	4.74	1.43
Aa3	Moody's	1.20	-
A3	Moody's	7.41	7.11
AA-	Fitch	5.29	5.34
A+	Fitch	0.77	
A	Fitch	4.83	5.97
		100.00	100.00

As at 30 April 2019, one bond had a Moody's rating of Baa1. At the date this bond was purchased it met the minimum credit rating. The holding of this investment was approved by the KBC Asset Management NV Allocation Committee. All other holdings meet the minimum rating requirements. KBC Bank NV is the swap counterparty for all derivatives held for trading. All cash balances are also held with KBC Bank NV. KBC Bank NV had an "A-1" *(30 April 2018: "A-1")* short term rating and an "A+" *(30 April 2018: "A")* long term credit rating from Standard & Poor's as at 30 April 2019.

All collateral cash balances and money market funds investments obtained and re-invested under the bond lending agreement are held with Société Générale S.A.. Société Générale S.A. had an "A-1" short term rating and an "A" long term credit rating from Standard & Poor's as at 30 April 2019. The credit/counterparty risk under the bond lending agreement is with Société Générale S.A. due to the indemnity that Société Générale S.A. has given to the Company. If the counterparty defaults and does not return the lent bonds and if the proceeds from the re-invested collateral (collateral cash balances and money market funds) is not sufficient or there is no collateral available, the purchase of replacement securities to the bonds lent shall be made at the expense of Société Générale S.A..

KBC Asset Management NV's Risk department monitors the credit/counterparty risk for the derivatives entered into by the Company. Derivative counterparties are required to be eligible financial institutions. Eligible financial institutions are defined as any financial institution subject to prudential rules applicable to financial institutions having their registered offices in the European Economic Area, or equivalent prudential rules. KBC Bank NV is deemed to be an eligible financial institution throughout 2019 and 2018. The Company has entered into an ISDA Master Agreement and Credit Support Annex with KBC Bank NV. All derivatives entered into the Company have been fully collateralised. The Company's portfolio manager in KBC Asset Management NV calculates collateral requirements and appropriate collateral postings are made on a fortnightly basis. The collateral postings are monitored by KBC Asset Management NV risk department. The main forms of collateral are cash and government bonds. If the derivative counterparty defaults then the Company can take possession of the collateral.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(b) Concentration risk

The Company's financial assets designated at fair value through profit or loss were concentrated in the following industrial sector types and geographical locations:

Industrial sector	As at 30/04/2019 %	As at 30/04/2018 %
Short Duration		
Banking and financial services	77.61	72.24
Government	20.27	22.23
Textiles, apparel & luxury goods	0.89	-
Industrial Conglomerates	0.79	0.59
Automobiles	0.44	2.26
Beverages	-	2.68
	100.00	100.00

	As at 30/04/2019 %	As at 30/04/2018 %
Long Duration		
Banking and financial services	80.02	78.01
Government	19.98	21.99
	100.00	100.00

Country	As at 30/04/2019 %	As at 30/04/2018 %
Short Duration		
France	21.28	15.50
United States of America	13.36	14.55
The Netherlands	11.25	17.16
Sweden	9.10	8.94
Australia	7.58	3.42
Canada	7.01	2.97
Belgium	6.02	9.10
Denmark	5.30	5.41
Ireland	4.30	1.70
United Kingdom	3.25	6.96
Germany	3.08	3.77
Japan	2.91	1.19
Switzerland	1.65	2.19
Finland	1.44	4.30
Czech Republic	0.89	1.49
Norway	0.53	1.15
Spain	0.47	-
Austria	0.45	0.20
Poland	0.13	-
	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(b) Concentration risk (continued)

Country (continued)

	As at 30/04/2019 %	As at 30/04/2018 %
Long Duration		
United States of America	28.83	24.30
France	19.14	18.05
The Netherlands	14.46	17.88
Belgium	7.11	6.58
Australia	4.33	15.03
Sweden	3.76	5.71
United Kingdom	3.53	2.65
Japan	3.25	4.37
Finland	3.03	3.13
Germany	2.42	-
Denmark	2.35	-
Slovenia	2.05	-
Norway	2.01	-
Italy	1.02	-
Switzerland	1.01	-
Czech Republic	0.77	-
Canada	0.75	2.30
	100.00	100.00

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company hedges liquidity risk through the use of the "quinzaine" process to manage the issuance and redemptions of Notes. It also hedges liquidity risk by investing the issuance proceeds into investments that can be called on demand. Management have outsourced the responsibility of monitoring liquidity risk to KBC Asset Management NV.

The liquidity risk of the Company is managed by KBC Asset Management NV on an aggregated level, together with the other SPVs and in accordance with the liquidity needs of funds investing in the notes issued by the Company. For the Capital-Protected and Structured Funds "CPSF" that invest in notes issued by each of the Company's portfolios, liquidity is analysed on an aggregate pool-level.

The CPSF-SPV Liquidity Coverage Ratio metric is based on the regulatory banking Liquidity Coverage Ratio measuring an adequate level of unencumbered high-quality liquid assets that can be converted into cash, as requested by the Bank for International Settlements (BIS). The Liquidity Coverage Ratio, this is the ratio of High-Quality Liquid Assets "HQLA" versus the expected liabilities should at least be equal to 100%.

The Stock of High-Quality Liquid Assets consists out of 2 levels of liquid assets:

- Level 1 assets can be included without limit (up to 100% of the buffer), are held at market value and are not subject to a haircut. Level 1 assets are limited to cash, Central bank reserves, bonds on or guaranteed by sovereigns and Central Banks.
- Level 2 assets are subject to a haircut of minimum 15% to the current market value. Level 2 assets are limited to 40 % of the asset buffer. Level 2 assets are Bonds on or guaranteed by sovereigns, central banks, non-central government public sector entity or multilateral development banks.

The expected liabilities are equal to the sum of the Assets under Management of the maturing funds (including the callable funds) augmented with an additional 2% of the remaining Assets under Management. The CPSF Liquidity Coverage Ratio should be above 100% within a one-year horizon.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(c) Liquidity risk (continued)

The gross contractual cash flows of financial liabilities designated at fair value through profit or loss does not include the future variable interest as it is dependent on the future profitability of the Company.

As at 30 April 2019

	Carrying amount €	Gross contractual cash flows €	Within one year €	Greater than one year €
Financial assets designated at fair value through profit or loss	297,550,687	312,149,219	92,259,646	219,889,573
Derivatives held for trading*	1,568,034	1,568,034	394,882	1,173,152
Cash and cash equivalents	8,117,241	8,117,241	8,117,241	-
Interest receivable on investments	2,381,005	2,381,005	2,381,005	-
Expense prepayments	3,874	3,874	3,874	-
Bond lending fee income receivable	19,115	19,115	19,115	-
Amounts receivable from custodian	1,938,652	1,938,652	1,938,652	-
	311,578,608	326,177,140	105,114,415	221,062,725
Financial liabilities designated at fair value through profit or loss	(302,494,502)	(317,093,034)	(7,308,838)	(309,784,196)
Derivatives held for trading*	(8,168,260)	(8,168,260)	(2,566,433)	(5,601,827)
Interest payable on notes issued	(837,747)	(837,747)	(837,747)	-
Expense accruals	(31,041)	(31,041)	(31,041)	-
Amounts payable to custodian	(4,956)	(4,956)	(4,956)	-
	(311,536,506)	(326,135,038)	(10,749,015)	(315,386,023)
	42,102	42,102	94,365,400	(94,323,298)

As at 30 April 2018

	Carrying amount €	Gross contractual cash flows €	Within one year €	Greater than one year €
Financial assets designated at fair value through profit or loss	352,172,869	367,625,194	104,172,906	263,452,288
Derivatives held for trading*	3,246,861	3,246,861	940,529	2,306,332
Cash and cash equivalents	14,894,823	14,894,823	14,894,823	-
Interest receivable on investments	3,356,550	3,356,550	3,356,550	-
Expense prepayments	19,697	19,697	19,697	-
Bond lending fee income receivable	4,851	4,851	4,851	-
Amounts receivable from custodian	19,854	19,854	19,854	-
	373,715,505	389,167,830	123,409,210	265,758,620
Financial liabilities designated at fair value through profit or loss	(361,298,796)	(376,751,121)	(8,635,195)	(368,115,926)
Derivatives held for trading*	(11,697,530)	(11,697,530)	(1,341,482)	(10,356,048)
Interest payable on notes issued	(622,167)	(622,167)	(622,167)	-
Expense accruals	(16,512)	(16,512)	(16,512)	-
Amounts payable to custodian	(38,398)	(38,398)	(38,938)	-
	(373,673,403)	(389,125,728)	(10,653,754)	(378,471,974)
	42,102	42,102	112,755,456	(112,713,354)

**There is no significant difference between the carrying amount and gross contractual cash flows of derivatives held for trading*

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(d) Market risk

Market risk represents the potential for both losses and gains and includes currency risk, interest rate risk and other price risk. Management have outsourced the responsibility of monitoring market risk to KBC Asset Management NV.

(i) Currency risk

The Company is exposed to exchange rate movements between Euro (EUR), its functional currency, and certain foreign currencies, namely Czech Koruna (CZK), US Dollar (USD), Hungarian Forint (HUF) and Polish Zloty (PLN). The Company's functional and presentation currency is Euro while the investments purchased by the Company can be denominated in other currencies.

Changes in rates of exchange may have an effect on the value of or the income from these investments. The Company manages currency risk by issuing notes in currencies other than EUR and through entering into cross currency swaps.

The Company used the following exchange rates to retranslate balances denominated in foreign currencies at the statement of financial position date:

	As at 30/04/2019 €	As at 30/04/2018 €
USD	1.1207	1.2082
CZK	25.6470	25.5455
HUF	323.8500	313.5000
PLN	4.2901	4.2333

Details of the foreign currency investments held by and notes issued by the Company are shown below along with the foreign currency swaps entered into to mitigate currency risk on investments acquired in different currencies to the notes issued.

The net currency risk exposure of the non-euro denominated noteholders is mitigated through currency swaps as the outstanding Long/(Short) Duration notes of the Company are hedged by the assets held in the Long/ (Short) Duration Portfolio of the Company.

To align the currency of the assets with the currency of the outstanding notes for each series of notes, fixed income instruments are bought in the same currency proportion as the outstanding notes. This can be done in two ways:

- investing directly in instruments denominated in the same currency of the notes
- investing in bonds denominated in another currency and the use of a cross-currency swap with the same notional and the same maturity date.

The currency proportion of assets and liabilities are matched. Changes in the foreign exchange rate won't affect the marked-to-market valuation of the portfolio. To align the currency of the outstanding notes with the currency of the assets, a functional currency denominated bond can be bought while simultaneously a cross-currency swap is bought for the same notional and same maturity date.

With this bond and swap transaction, the investment equals an outright denominated bond investment. If the currency proportion of assets and liabilities are matched, an increase (or decrease) in the foreign exchange rate will have an equal impact on the assets and the liabilities, resulting in a neutral impact on the valuation of the Long/(Short) Duration portfolios of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(d) Market risk (continued)

(i) Currency risk (continued)

As at 30 April 2019	**CZK** €	**USD** €	**HUF** €	**PLN** €	**Total** €
Investments held (at nominal amounts)					
- *Short Duration*	2,086,014	74,320,514	-	-	76,406,528
- *Long Duration*	553,671	27,411,439	-	-	27,965,110
	2,639,685	101,731,953	-	-	104,371,638
Cash and cash equivalents					
- *Short Duration*	232,665	854,316	36,156	-	1,123,137
- *Long Duration*	167,781	307,888	-	-	475,669
	400,446	1,162,204	36,156	-	1,598,806
Notes issued (at nominal amounts)					
- *Short Duration*	(16,875,268)	(79,505,666)	(7,775,205)	-	(111,046,891)
- *Long Duration*	(13,506,453)	(41,998,751)	-	-	(52,994,037)
	(30,381,721)	(121,504,417)	(7,775,205)	-	(159,661,343)
	(27,341,590)	(18,610,260)	(7,739,049)	-	(53,690,899)

As at 30 April 2018	**CZK** €	**USD** €	**HUF** €	**PLN** €	**Total** €
Investments held (at nominal amounts)					
- *Short Duration*	4,325,615	72,745,406	-	188,980	77,260,001
- *Long Duration*	-	27,536,832	-	-	27,536,832
	4,325,615	100,282,238	-	188,980	104,796,833
Cash and cash equivalents					
- *Short Duration*	797,055	5,201,701	29,584	6,230	6,034,570
- *Long Duration*	410,977	50,127	-	-	461,104
	1,208,032	5,251,828	29,584	6,230	6,495,674
Notes issued (at nominal amounts)					
- *Short Duration*	(21,289,464)	(86,423,605)	(3,153,110)	(180,712)	(111,046,891)
- *Long Duration*	(12,133,252)	(40,860,785)	-	-	(52,994,037)
	(33,422,716)	(127,284,390)	(3,153,110)	(180,712)	(164,040,928)
	(27,889,069)	(21,750,324)	(3,123,526)	14,498	(52,748,421)

As at 30 April 2019	**CZK** €	**USD** €	**HUF** €	**PLN** €	**Total** €
Swaps (at nominal amounts)					
- Short duration	13,790,000	1,638,503	7,900,000	-	23,328,503
- Long duration	12,660,000	14,190,000	-	-	26,850,000
	26,450,000	15,828,503	7,900,000	-	50,178,503

As at 30 April 2018	**CZK** €	**USD** €	**HUF** €	**PLN** €	**Total** €
Swaps (at nominal amounts)					
- Short duration	15,362,000	6,861,612	-	3,150,000	25,373,612
- Long duration	11,330,000	14,490,000	-	-	25,820,000
	26,692,000	21,351,612	-	3,150,000	51,193,612

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(d) Market risk (continued)

(ii) Interest rate risk

The Company is exposed to changes in its cost of financing arising from movements in the EURIBOR, USD LIBOR, PRIBOR, BUBOR and WIBOR rates which respectively form the basis of the interest payments on the EUR, USD, CZK and PLN senior notes issued by it. Increases in these rates increase the cost of funding. Due to the limited recourse nature of the notes issued, the Company is only required to pay the interest if it has collected sufficient funds to cover the amount due after having retained a reserved profit of €1,000 per annum for the Company. As such the Company has no net exposure to interest rate risk.

There are policies and processes in place to manage the interest rate risk exposure of the noteholders. The Capital-Protected and Structured funds have very specific needs on the interest-rate risk side. Their objective is to receive a 6m-Libor-linked coupon every six months. There are 6 different coupon periods and 5 different currencies (EUR, USD, CZK, PLN and HUF). Based on the outstanding notional of the different notes, the managers of the Company will match assets they need with the exact same coupon characteristics. The interest rate risk on the asset side matches with the interest rate risk on the liability side and the only remaining interest rate risk is linked to exactly what the noteholders are entitled to as stipulated in each of the term sheets.

The company is considered to have minimal interest rate risk exposure on cash and cash equivalents currently held due to the current low interest rate environment.

The financial assets and liabilities exposure to interest rate risk is managed through swaps. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating rate, or vice versa, to reduce or increase the exposure to fluctuations in interest rates or to obtain a marginally lower interest rate that would have been possible without the swap.

The Company's net nominal amounts exposed to interest rate risk and the nominal amounts that are mitigated through the use of interest rate swaps are as follows:

As at 30 April 2019

	EUR	**USD**	**PLN**	**CZK**
Gross nominal amount of swaps	186,819,000	114,011,000	-	67,700,000
Nominal amount mitigated through use of derivatives	186,819,000	114,011,000	-	67,700,000
Net nominal amount exposed	-	-	-	-

As at 30 April 2018

	EUR	**USD**	**PLN**	**CZK**
Gross nominal amount of swaps	239,254,000	121,161,000	800,000	110,500,000
Nominal amount mitigated through use of derivatives	239,254,000	121,161,000	-	110,500,000
Net nominal amount exposed	-	-	800,000	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

The interest rate risk profile of the Company's financial assets and liabilities designated at fair value was as follows:

As at 30 April 2019	**Maturity within 1 year €**	**Maturity greater than 1 year €**
Financial assets designated at fair value through profit or loss		
Floating rate		
- Short duration	1,602,704	7,593,733
- Long duration	-	350,172
	1,602,704	7,943,905
Fixed rate		
- Short duration	84,872,546	136,006,003
- Long duration	-	67,125,529
	84,872,546	203,131,532
	86,475,250	211,075,437
Financial liabilities designated at fair value through profit or loss		
Floating rate		
- Short duration	-	(235,232,376)
- Long duration	-	(67,262,126)
	-	(302,494,502)
Derivatives held for trading		
- Short duration	(2,171,551)	(3,093,487)
- Long duration	-	(1,335,188)
	(2,171,551)	(4,428,675)

As at 30 April 2018	**Maturity within 1 year €**	**Maturity greater than 1 year €**
Financial assets designated at fair value through profit or loss		
Floating rate		
- Short duration	7,414,074	9,039,069
	7,414,074	9,039,069
Fixed rate		
- Short duration	88,921,905	181,636,819
- Long duration	-	65,161,002
	88,921,905	246,797,821
	96,335,979	255,836,890
Financial liabilities designated at fair value through profit or loss		
Floating rate		
- Short duration	-	(296,475,311)
- Long duration	-	(64,823,485)
	-	(361,298,796)
Derivatives held for trading		
- Short duration	(400,953)	(6,534,189)
- Long duration	-	(1,515,527)
	(400,953)	(8,049,716)

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(d) Market risk (continued)

(iii) Other price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in the market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The financial assets designated at fair value through profit or loss held by the Company, as disclosed in Note 12 "Financial assets designated at fair value through profit or loss", are exposed to price risk but the Company has no net exposure to price risk due to the fact that the notes issued by it are limited recourse to the investments acquired with the issuance proceeds. Consequently, any price gains or losses on the investments held are exactly offset by corresponding gains or losses on the notes issued with no loss to the Company. There are no differences in the exposure to price risk between individual series of notes issued by the Company.

Each series of note is exposed to a pro-rata share of the gains or losses on the investments held. KBC Asset Management NV, the Company's portfolio manager monitors market price fluctuations on the investments held by the Company on a daily basis. Market price fluctuations are one of the key drivers in the investment allocations made by the portfolio manager. Market prices are obtained from independent pricing sources. KBC Asset Management NV also monitors the Company's exposures to countries and industries. The limiting of exposures to various countries and industries is a key method of managing price risk. The Company's exposure to countries and industries is set out in Note 18(b) "Financial instruments, principal risks and uncertainties: Concentration risk". Another key method is that the Company can only hold investments with a minimum credit rating. The credit rating breakdown of investments held is set out in Note 18(a) "Financial instruments, principal risks and uncertainties: Credit/counterparty risk". The Company also manages price risk by investing in a diverse portfolio of investments. The Company may not hold 10% of investments in the same issuer and is limited to an aggregate investment of 40% in individual issuers of greater than 5% of investments held.

(e) Sensitivity analysis

The methods and assumptions used in the preparation of the sensitivity analysis are listed below. Sensitivity analysis is included for each of the relevant market risks i.e. currency risk, interest rate risk and price risk.

- Interest rate sensitivity rates: the interest rate sensitivity rates per currency are calculated as the 99% VaR of absolute 5 month changes in interest rate using Bloomberg data history since the beginning of 2000.
- Foreign exchange sensitivity rates: the foreign exchange sensitivity rates are calculated as the 6 month 99% VaR of relative changes in exchange rates using Bloomberg data history since the beginning of 2000.

(i) Currency risk

The Company purchases investments in multiple currencies. These investment purchases are funded through the issuance of notes in either the same currency as the investment purchased or in a different currency to the investments acquired with currency risk being hedged through the use of swap agreements. Any gains or losses in terms of currency movements on the investments are offset by corresponding movements on the related notes issued or swap agreements entered into.

The Company's sensitivity to a movement in each applicable currency exchange rate as at 30 April 2019 is set out below (prior to the impact of derivative movements). The rates used in the sensitivity analysis per currency are based on historical data and are as follows:

	2019	2018
USD	+/-16%	+/-17%
CZK	+/-9%	+/-10%
HUF	+/-14%	+/-15%
PLN	+/-15%	+/-16%

18. Financial instruments, principal risks and uncertainties (continued)

(e) Sensitivity analysis (continued)

(i) Currency risk (continued)

As at 30 April 2019

	CZK €	USD €	HUF €	PLN €
Investments held (at nominal amounts)				
- *Short duration*	174,087	10,352,336	-	-
- *Long duration*	46,206	3,818,225	-	-
	220,293	14,170,561	-	-
Cash and cash equivalents				
- *Short duration*	19,417	119,000	4,440	-
- *Long duration*	14,002	42,887	-	-
	33,419	161,887	4,440	-
Notes issued (at nominal amounts)				
- *Short duration*	1,393,371	10,966,299	954,850	-
- *Long duration*	1,115,212	5,792,931	-	-
	2,508,583	16,759,230	954,850	-

As at 30 April 2018

	CZK €	USD €	HUF €	PLN €
Investments held (at nominal amounts)				
- *Short duration*	375,282	10,415,352	-	25,672
- *Long duration*	-	3,942,597	-	-
	375,282	14,357,949	-	25,672
Cash and cash equivalents				
- *Short duration*	69,151	744,756	3,783	846
- *Long duration*	35,656	7,177	-	-
	104,807	751,933	3,783	846
Notes issued (at nominal amounts)				
- *Short duration*	1,935,406	11,920,497	411,275	24,926
- *Long duration*	1,103,023	5,635,970	-	-
	3,038,429	17,556,467	411,275	24,926

(ii) Interest rate risk

Due to the limited recourse nature of the notes issued, the Company is only required to pay the interest if it has collected sufficient funds to cover the amount due after having retained a reserved profit of €1,000 per annum. As such the Company has no net exposure to interest rate risk.

The Company's sensitivity to an increase and decrease in interest rates is set out below. The rates used in the sensitivity analysis per currency are based on historical data and are as follows:

	2019	2018
EUR	+/-3%	+/-3%
USD	+/-2%	+/-2%
CZK	+/-1%	+/-2%
PLN	+/-4%	+/-4%

The Company does not monitor HUF due to the low level of notes issued in this currency.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(e) Sensitivity analysis (continued)

(ii) Interest rate risk (continued)

	As at 30/04/2019 €	As at 30/04/2018 €
Short Duration		
USD interest payable on notes issued	+/-11,265	+/-9,373
CZK Interest payable on notes issued	+/-619	+/-66
PLN Interest payable on notes issued	-	+/-33
HUF Interest payable on notes issued	+/-2851	-
Long Duration		
USD Interest payable on notes issued	+/- 2,884	+/- 2,707
CZK Interest payable on notes issued	+/- 656	+/- 282

(iii) Other price risk

The financial assets of the Company are subject to market fluctuations and the risks inherent in all investments. Any change in the fair value of the investments will be offset by a corresponding change in the fair value of the notes.

The Company's sensitivity to a 5% increase and decrease in market prices are based on historical data and as follows:

	As at 30/04/2019 €	As at 30/04/2018 €
Short Duration		
Movement in fair value of bonds for 5% change in market prices	+/-11,503,749	+/-14,341,145
Movement in fair value of time deposits held for 5% change in market prices	-	+/-9,449
Long Duration		
Movement in fair value of bonds held for 5% change in market prices	+/-3,373,785	+/-3,258,050

(f) Operational risk exposure

The Company has appointed KBC Asset Management NV as portfolio manager and administrator, KBC Bank NV as custodian and KBC Bank Ireland Plc as corporate accounting administrator. The successful operation of this Company is therefore reliant on KBC Group NV companies. Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

(g) Collateral

The total financial assets of the Company are charged to BNY Mellon Corporate Trustee Services Limited (the "Trustee") as follows:

	As at 30/04/2019 €	As at 30/04/2018 €
Financial assets designated at fair value through profit or loss		
- Short duration	230,074,987	287,011,867
- Long duration	67,475,700	65,161,002
	297,550,687	352,172,869
Cash and cash equivalents		
- Short duration	7,186,588	14,022,808
- Long duration	930,653	872,015
	8,117,241	14,894,823

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(g) Collateral (continued)

The assets are charged by way of first fixed security. The Note Trustee is required once the first fixed security becomes enforceable and the net proceeds are realised to apply the proceeds to clear the following ranked obligations on a pro rata basis:

- receivership costs;
- general administrative costs;
- interest to noteholders;
- repayment of principal to noteholders;
- any amounts payable to a swap counterparty; and
- the balance of proceeds (if any) to the Company.

The first fixed security is only enforceable on the occurrence of a continuing general event of default as described in the Company's Master Trust Deed.

On such event the Trustee may at its discretion, or shall, if so requested in writing by the noteholders of at least one-fifth of the notes then outstanding or, if so directed by an Extraordinary Resolution of such noteholders, enforce the first fixed security. The following events are deemed to be general events of default:

- The Company defaults in the payment of any redemption amount or defaults for a period of 14 days or more in the payment of any sum other than redemption amounts due to noteholders;
- The Company fails to perform or observe any of its obligations under the note term sheets or Trust Deed and such failure continues for a period of 30 days;
- The Company is deemed to be unable to pay its debts as and when they fall due;
- The Company is subject to any order made by any competent court or any resolution passed for the winding-up or dissolution of the company or subject to any insolvency, bankruptcy, compulsory liquidation, examination, controlled management procedures or suspension of payments.

The terms and conditions for the first fixed security are set out in the Company's €40,000,000,000 Base Prospectus and Master Trust Deed and are usual and customary for note issuers.

The Company has pledged €6,492,874 *(2018: €7,711,755)* of its short duration investments and €1,160,332 *(2018: €1,109,348)* of its long duration investments as collateral for derivative contracts. Eligible investments that can be pledged as collateral are euro denominated negotiable debt obligations issued by the governments of Austria, Belgium (including Flanders), Finland, France (including Caisse d'Amortissement de la Dette Sociale), Germany (including KfW Bankendgruppe), Italy, Luxembourg, the Netherlands, Czech Republic, Poland and the European Union provided that:

- the lower of the long term credit rating assigned to these investments is at least BBB+ under Standard & Poor's, Baa1 under Moody's or BBB+ under Fitch; and
- valuations for the investments can be obtained on a daily basis from the valuation agent.

The Company is involved in bond lending. Société Générale S.A. acts as the agent to lend bonds to an approved list of counterparties under the terms of a securities lending agreement. Bonds may only be lent to counterparties against the transfer of eligible collateral.

Eligible collateral is cash in USD or EUR with a margin of 100.20% for any bonds lent with a remaining maturity less than 5 years and 101% for any bonds lent with a remaining maturity over 5 years. This collateral is then re-invested by the Company to earn a return.

The following are the eligible collateral types and re-investment parameters under the securities lending agreement:

- Time deposits and cash accounts with credit institutions with their registered office in the EEA, at least an A1/P rating and approved beforehand by KBC Asset Management. Each of the credit institutions can hold maximum 20% of the Collateral. Collateral delivered by a financial institution cannot be invested into an account or time deposit at the same financial institution.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(g) Collateral (continued)

- Maximum 100% in short money market funds provided that:
  - no money market fund accounts for more than 20% of the value of the collateral and;
  - the money market funds are approved by KBC Asset Management

- Maximum 60% in government bonds, provided that:
  - rating at least AA- (Bloomberg Composite) and;
  - maximum remaining lifetime of 9 months and;
  - only government bonds of EU countries (excluding Luxembourg), the USA, Canada, Australia and Norway are eligible and;
  - maximum 20% of the Company's market value of the assets under management in any single sovereign issuer

- The re-invested collateral is to be in the same currency as the collateral originally received from the securities lending counterpart.

The following is the breakdown of the bond lending and the collateral held by Société Générale S.A. on behalf of the Company:

	As at 30/04/2019 €	As at 30/04/2018 €
Short duration		
Bonds lent	13,136,990	39,178,321
Cash collateral	(68,159)	(95,596)
Money market funds	(13,444,673)	(39,726,197)
	(375,842)	(643,472)
Long duration		
Bonds lent	6,995,403	12,128,613
Cash collateral	(121,368)	(103,821)
Money market funds	(7,769,975)	(12,091,172)
	(895,940)	(66,380)

Bond lending commenced during the financial year for the Company.

The cash collateral and money market funds are charged to BNY Mellon Corporate Trustee Services Limited. If the Company fails to return the collateral to the bond lending counterparties once the counterparty has returned the bonds lent the amounts due between the Company and the counterparty are offset. This in effect means that the counterparty will retain the bonds and will either pay over additional funds to the Company if the bonds are worth more than the collateral retained or the Company will be obligated to pay additional funds to the Counterparty if the bonds are worth less than the collateral retained by the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(h) Fair values

The accounting policies regarding the fair value hierarchy are set out in Note 2(f) "*Use of estimates and judgements*" and Note 3(f) "*Financial instruments: Fair Value Measurement Principles*". All fair value measurements are recurring.

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities measured at fair value:

As at 30 April 2019

	Level 1 €	Level 2 €	Level 3 €	Total balance €
Financial assets designated at fair value through profit or loss				
Bonds	-	297,550,687	-	297,550,687
Time deposits	-	-	-	-
	-	297,550,687	-	297,550,687
Derivatives held for trading				
Cross currency swaps	-	(2,442,958)	-	(2,442,958)
Interest rate swaps	-	(4,157,268)	-	(4,157,268)
	-	(6,600,226)	-	(6,600,226)
Financial liabilities designated at fair value through profit or loss				
Notes issued	-	(302,494,502)	-	(302,494,502)
	-	(302,494,502)	-	(302,494,502)

As at 30 April 2018

	Level 1 €	Level 2 €	Level 3 €	Total balance €
Financial assets designated at fair value through profit or loss				
Bonds	-	351,983,895	-	351,983,895
Time deposits	-	188,974	-	188,974
	-	352,172,869	-	352,172,869
Derivatives held for trading				
Cross currency swaps	-	(2,178,111)	-	(2,178,111)
Interest rate swaps	-	(6,272,558)	-	(6,272,558)
	-	(8,450,669)	-	(8,450,669)
Financial liabilities designated at fair value through profit or loss				
Notes issued	-	(361,298,796)	-	(361,298,796)
	-	(361,298,796)	-	(361,298,796)

The financial assets and liabilities carried at amortised cost are short term financial assets and financial liabilities whose carrying amounts approximate fair value.

The carrying value of the short term non-financial assets and liabilities are assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments, principal risks and uncertainties (continued)

(i) Offsetting financial assets and financial liabilities

The Company has entered into an ISDA Master Agreement and Credit Support Annex with KBC Bank NV. The ISDA Master Agreement creates a right of set-off of recognised amounts that is enforceable on event of default, insolvency or bankruptcy of the Company or KBC Bank NV. All derivatives entered into the Company have to be fully collateralised on a net basis. The Company's portfolio manager in KBC Asset Management NV calculates collateral requirements and appropriate collateral postings are made on a fortnightly basis. Such collateral is subject to the standard industry terms of ISDA Master Agreements and Credit Support Annex. This means that securities received/given can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.

There are no offsets of derivative financial assets and liabilities presented in the statement of financial position. The following table sets out the derivative financial assets and liabilities that are subject to an enforceable master netting arrangement and similar agreement by way of the ISDA Master Agreement and Credit Support Annex with KBC Bank NV.

	As at 30/04/2019 €	As at 30/04/2018 €
Derivative held for trading		
Gross amount of financial assets	1,568,034	3,246,861
Gross amount of financial liabilities	(8,168,260)	(11,697,530)
Net derivatives held for trading liability	(6,600,226)	(8,450,669)
Bonds pledged as collateral	7,653,206	8,821,103
Net derivative exposure	1,052,980	(370,434)

The Company is engaged in bond lending under the terms of a securities lending agreement. Bonds may only be lent to counterparties against the transfer of eligible collateral. Details of this are set out in Note 18(g) "Financial instruments, principal risks and uncertainties: Collateral".

19. Related party transactions

All of the notes issued by the Company for the current and prior financial year are held by Capital Protected Funds and Mutual Funds. All interest expense for the current and prior financial year was paid to these companies.

HMP Secretarial Limited, the Company secretary, earned fees of €2,208 *(2018: €2,208)* for the financial year, *€Nil* of which was payable as at 30 April 2019 *(30 April 2018: €Nil).*

Yves Lippens is a director of KBC Fund Management Limited a 100% subsidiary of the Company's portfolio manager and administrator. Christiaan Sterckx is a director of KBC Asset Management NV.

KBC Asset Management NV earned fees of €352,292 *(2018: €409,905)* and €12,375 *(2018: €13,500)* respectively for its role as portfolio manager and administrator. Portfolio management fees and administrator fees payable as at 30 April 2019 was €Nil *(2018: €Nil)* and €Nil (2018: *€Nil)* respectively. KBC Bank NV earned fees of €2,741 *(2018: €58,980)* for its role as Custodian. Custodian fees payable as at 30 April 2019 was €Nil *(2018: €Nil).*

Christiaan Sterckx and Yves Lippens did not earn fees for their roles as directors. John Fitzpatrick and Michael Boyce each receive €1,250 this year for their roles as independent directors. Directors' fees outstanding as at 30 April 2019 were €Nil (2018: €Nil).

20. Ownership of the Company

All of the 40,000 issued shares are held in trust by QSV Trustees Limited. The Board of directors have considered the issue as to who is the controlling party of the Company. It has determined that the control of the day-to-day activities of the Company rests with the Board.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Dividends

On 26 February 2019, the Company paid a dividend of €750 (€0.01875 per ordinary share). The directors proposed a dividend of €750 on 29 August 2019.

22. Change in presentation of the Statement of financial position

In line with IAS 1.60 "Presentation of financial statements" the Company has presented all the assets and liabilities in order of liquidity on the face of the Statement of financial position as at the 30 April 2019 and the Directors believe this will provide more relevant information on the Company's financial position. Prior year comparatives have also been aligned with this change in presentation.

23. Subsequent events

The directors proposed a dividend of €750 on 29 August 2019.

24. Approval of financial statements

The financial statements were approved by the board of directors on 29 August 2019.