VESPUCCI STRUCTURED FINANCIAL PRODUCTS PLC

DIRECTORS' REPORT AND THE AUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

COMPANY NUMBER: 426220

TABLE OF CONTENTS **PAGE**

COMPANY INFORMATION

DIRECTORS	John Fitzpatrick (Irish) (Independent non-executive) Michael Boyce (Irish) (Independent non-executive) Christiaan Sterckx (Belgian - resigned 17 December 2019) (Non-executive) Yves Lippens (Belgian) (Non-executive) Frank Van de Vel (Belgian – appointed 17 December 2019) (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
LEGAL ADVISORS AS TO IRISH LAW	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 & 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 2020

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

PRINCIPAL ACTIVITY
Vespucci Structured Financial Products Plc (the "Company"), an Irish registered Company, was incorporated on 11 September 2006. The principal activity of the Company is investment in bonds, commercial papers and time deposits. The Company has 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 will be 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
During the reporting period we witnessed a slowdown of global economic growth, with industrial activity being primarily impacted. The uncertainty on the outcome of the Brexit case and slowing international trade, due to the increasing trade tensions, clearly weighed on market sentiment. Export-oriented regions like the eurozone amongst others suffered in particular. Employment remained very strong in support of private consumption and as such the services sector was able to hold up in most regions. At the start of 2020, there were some clear signs of revival but only for a short period of time. The global pandemic caused by the Covid-19 virus and resulting worldwide lockdowns to stop further contagion and manage the pressure on the health system caused an unprecedented contraction of the world economy. By means of a massive extension of budgetary expenses and guarantees, governments attempted to guide the economy through the lockdown period with as little damage as possible.

Monetary policy
The Federal Reserve changed its approach during the reporting period. Whereas rates were systematically increased during the course of 2018, the Federal Reserve now reacted in response to slowing growth with three interest rate cuts of 0.25%. A decrease in inflation enabled this monetary policy change. The European Central Bank emphasized that an increase in rates was not immediately on the horizon. As growth in the Eurozone further struggled, new measures were announced. The Asset Purchase Program was relaunched and the deposit rate was reduced to -0.5%. The global Covid-19 crisis caused an enormous turnaround. After the Federal Reserve implemented two emergency rate cuts, the severity of the situation became very clear. Monetary policy was activated globally to combat the crisis through rate cuts and an unprecedented extension, both in breadth and in depth, of financial asset purchase programs. The Federal Reserve practically discarded all limits to make sure the banking system, money markets and the corporate credit market were kept afloat.

Bond markets
The 10 year German Bund reached a historic low of -0.72% in August 2019. Since then, rates increased by more than 0.5% to -0.16% by mid-January 2020. However, the uncertainty and fear arising from the Covid-19 crisis and resulting negative effect on global growth caused another decrease to -0.59% by the end of the reporting period. In the US, long-term interest rates tumbled to 1.46% in early September and increased quickly thereafter to 1.9% with range-bound movements in the period thereafter. The Covid-19 pandemic led to a new drop to a historically low level of 0.54% in March 2020. By the end of the reporting period, the rate had slightly increased to 0.64%. The spread difference between euro-denominated corporate bonds and sovereign bonds largely tracked the path of equity markets. In the beginning of the reporting period, the spread widened due to the slowdown in economic growth but narrowed again at the beginning of 2020. By mid-February 2020 the spread difference stood at 0.89% versus 1.07% at the beginning of the reporting period. The fear of a deep economic recession caused the spread difference to triple between mid-February and mid-March 2020. Markets however calmed down after the various announcements by central banks and governments to support the economy and financial markets.

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2020

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

Bond markets (continued)
The spread narrowed to a level of 1.86% by the end of the reporting period. A similar pattern could be observed in the spread difference between government bonds issued by the Southern-European countries and Germany. The severity of the Covid-19 crisis in Italy combined with the condition of government finances of the country led to renewed worries in Italy in particular. Clear communication by the ECB was able to calm down financial markets.

Activities in the Special Purpose Vehicles ("SPVs")
No significant changes have occurred in the overall allocation of the SPVs. The allocation to non-financial corporates further decreased as no reinvestments occur in the asset class. The average maturity of the asset portfolio slightly increased during the reporting period to match the increase in the maturity of the liability portfolio. Due to the Covid-19 crisis and resulting downgrades, the weight of the highest rating bucket (AAA/AA) slightly decreased but remains very close to 50%. AUM of the portfolio further decreased due to large redemptions on behalf of the noteholders. These redemptions consisted mainly of scheduled redemptions, i.e. capital protected and structured funds which matured. Other redemptions, i.e. those as a result of underlying fund investor redemptions, remain extremely low in comparison with historical outflow patterns. Inflow related to the launch of new capital protected and structured funds remains relatively small due to the low interest rate environment globally. Bond lending activity was temporarily suspended in March 2020 as a precaution due to uncertainty surrounding the economic downturn and has since resumed subsequent to the reporting date.

The directors consider the following to be the main financial key performance indicators of the Company:

- the Company made a profit of €750 (2019*: €750*)
- there were no credit events that affected the Company during the current and prior years
- the net loss (realised and movement in unrealised) from financial assets designated at fair value through profit or loss amounted to €621,422 *(2019: net gain of €5,202,322)*
- the net gain (realised and movement in unrealised) from financial liabilities designated at fair value through profit or loss amounted to €3,464,006 (2019*: net loss of €8,628,060)*
- interest income from investments amounted to €5,341,773 *(2019: €6,411,603)*
- interest expense from notes issued amounted to €3,296,121 *(2019: €3,633,975*)
- the Company's total indebtedness was €273,768,184 *(2019: €313,472,657)*
- net investment sales amounted to €23,433,968 *(2019: €76,173,014)*
- net note redemptions amounted to €40,494,297 *(2019: €67,505,255)*
- the internal credit rating of the notes issued by the short duration and long duration portfolio at financial year end was AA- and A+ respectively *(2019: AA- and AA- respectively)*
- the short duration portfolio is overinvested by 1.16% *(2019: 0.88%)* and the long duration portfolio is overinvested by 5.99% *(2019: 6.26%)* 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 or redeemed. 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 note series in issue at year end:

Short Duration portfolio:

EUR	34,000,000	Series No. 2006-1	Floating Rate Secured Senior Notes due 2040
EUR	25,500,000	Series No. 2006-3	Floating Rate Secured Senior Notes due 2040
EUR	55,000,000	Series No. 2006-4	Floating Rate Secured Senior Notes due 2040
EUR	23,500,000	Series No. 2006-5	Floating Rate Secured Senior Notes due 2040
EUR	29,000,000	Series No. 2007-6	Floating Rate Secured Senior Notes due 2040
USD	64,500,000	Series No. 2007-7	Floating Rate Secured Senior Notes due 2040
CZK	75,000,000	Series No. 2007-8	Floating Rate Secured Senior Notes due 2040
CZK	10,800,000	Series No. 2007-14	Floating Rate Secured Senior Notes due 2040
CZK	547,550,000	Series No. 2007-15	Floating Rate Secured Senior Notes due 2040
USD	60,000,000	Series No. 2007-19	Floating Rate Secured Senior Notes due 2040
EUR	2,517,000	Series No. 2008-20	Floating Rate Secured Senior Notes due 2040
HUF	6,000,000,000	Series No. 2007-17	Floating Rate Secured Senior Notes due 2040

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2020

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

Long Duration portfolio:

EUR	50,000,000	Series No. 2013-25	Floating Rate Secured Senior Notes due 2040
EUR	2,500,000	Series No. 2013-26	Floating Rate Secured Senior Notes due 2040
CZK	575,000,000	Series No. 2013-27	Floating Rate Secured Senior Notes due 2040
USD	75,000,000	Series No. 2015-28	Floating Rate Secured Senior Notes due 2040

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.
- The Company is a limited recourse vehicle and therefore all risks and rewards of ownership are borne by the noteholders.
- Specific consideration has been given to the financial impact of the Covid-19 crisis and based on projections prepared the Company is expected to be able to meet its obligations in a stressed scenario. Management has assessed all available information about the future, considering the possible outcomes of events and changes in conditions, and the realistically possible responses to such events and conditions that are available. The Directors have concluded that the impact of the crisis does not represent a material uncertainty in relation to the Company's ability to continue as a going concern.

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.

An assessment of IBOR reform and its expected impact to the Company is set out in Note 18(k) "IBOR Reform".

The Covid-19 pandemic could have a continued adverse impact on economic and market conditions and prolong the existing period of global economic downturn. The impact of the Covid-19 crisis on factors including bond market performance, laws and regulations, investee and counterparty credit ratings, underlying fund investor redemptions, trade bloc developments and monetary policy will continue to be monitored by the Company.

RESULTS AND DIVIDENDS
The results for the financial year are shown on page 15. On 20 February 2020, the Company paid a dividend of €750 (€0.01875 per ordinary share). The directors proposed a dividend of €750 on 28 August 2020 *(2019: €750).*

CHANGES IN DIRECTORS
Christiaan Sterckx resigned as a non-executive director on 17 December 2019. Frank Van de Vel was appointed as a non-executive director on 17 December 2019. As at 30 April 2020, the board of directors included John Fitzpatrick, Michael Boyce, Frank Van de Vel and Yves Lippens.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES AND DEBENTURES
The directors and the company secretary had no beneficial interest in the share capital and debentures 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 and 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 and Japan. This is mitigated by several factors. The portfolios are diversified and consist of 146 bond issuers with no single bond issuer having a weight above 5%. The average rating of the portfolio is AA- in the Short Duration SPV pool and A+ in the Long Duration SPV pool 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 and agencies.

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2020

RISK FACTORS (continued)
As a result of the global financial crisis, notable reform has taken place in the financial sector. Bondholders are now at greater risk of being bailed-in if a bank encounters significant financial difficulty as opposed to being bailed-out in previous crises. On the other hand, some measures are intended to prevent bail-in being required. Banks have more and higher quality capital and need to maintain higher liquidity buffers for instance. Additionally, not all countries the Company invests in will automatically bail-in senior bondholders, e.g. Australia and 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 Company is expected to be able to meet both projected outflows and additional outflows that may occur in a stressed scenario. The Company will continue to monitor the market for impact and viability on current and future developments.

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 28 August 2020. Bond lending re-commenced following temporary suspension of activities in March 2020. Net note redemptions of existing series subsequent to the reporting date were €12,518,342.

POLITICAL DONATIONS
The Company did not make any political donations during the financial year *(2019: €Nil).*

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.

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2020

ANNUAL CORPORATE GOVERNANCE STATEMENT (continued)

Financial Reporting Process (Continued)
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 adequate accounting 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.

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.

DIRECTORS' REPORT (continued)
for the financial year ended 30 April 2020

ANNUAL CORPORATE GOVERNANCE STATEMENT (continued)

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 (11) (c) of the Companies Act 2014 not to establish a separate Audit Committee.

INDEPENDENT AUDITOR
The directors first appointed Ernst and Young as auditor at the Company's board meeting on 29 September 2017. On 8 January 2020, Ernst and Young were re-appointed as auditor for the year ended 30 April 2020. 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	Michael Boyce
Director	Director

Date: 28 August 2020

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: 28 August 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VESPUCCI STRUCTURED FINANCIAL PRODUCTS PLC

Opinion

We have audited the financial statements of Vespucci Structured Financial Products PLC ('the Company') for the year ended 30 April 2020, 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 2020 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VESPUCCI STRUCTURED FINANCIAL PRODUCTS PLC (continued)

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 Assets at Fair Value Through Profit or Loss, Derivative Assets and Derivative Liabilities Financial Assets at Fair Value Through Profit or Loss: €263,075,063 (2019: €285,794,499) Derivative Assets: €1,117,866 (2019: €2,403,709) Derivative Liabilities: €13,168,113 (2019: €7,072,239) The financial instruments at fair value through profit or loss included in the Statement of Financial Position of the Company primarily comprise of financial assets at fair value through profit or loss, 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 financial assets at fair value through profit or loss 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 €2,585,961 (2019: €3,025,643) which is 1% (2019: 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% (2019: 75%) of our planning materiality, namely €1,939,470 (2019: €2,269,232). We have set performance materiality at this percentage based on our knowledge of the Company and industry, effectiveness of the control environment and our assessment of the risks associated with the engagement.

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 €129,298 (2019: €151,282), which is set at 5% (2019: 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 VESPUCCI STRUCTURED FINANCIAL PRODUCTS 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VESPUCCI STRUCTURED FINANCIAL PRODUCTS PLC (continued)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, 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 VESPUCCI STRUCTURED FINANCIAL PRODUCTS 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 3 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 Ramanathan
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Office: Dublin

Date: 28 August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the financial year ended 30 April 2020

	Notes	Year ended 30/04/2020 €	Year ended 30/04/2019 €
Interest income on financial assets designated at fair value through profit or loss	**5**	5,341,773	6,411,603
Interest expense on financial liabilities designated at fair value through profit or loss	**6**	(3,296,121)	(3,633,975)
Realised loss on financial assets designated at fair value through profit or loss	**12**	(3,296,901)	(6,752,135)
Realised loss on financial liabilities designated at fair value through profit or loss	**15**	(1,403,151)	(376,043)
Movement in unrealised gain on financial assets designated at fair value through profit or loss	**12**	2,675,479	11,954,457
Movement in unrealised gain/(loss) on financial liabilities designated at fair value through profit or loss	**15**	4,867,157	(8,252,017)
Net expense from derivatives held for trading	**7**	(5,119,905)	(2,621,558)
Net bond lending fee income	**8**	13,311	24,458
Net foreign exchange gain		566,040	3,638,308
Net investment income		347,683	393,098
Other income	**9**	73,376	89,537
Other expenses	**10**	(420,058)	(481,635)
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 19 to 57 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 2020

	Notes	As at 30/04/2020 €	As at 30/04/2019 €
Assets			
Cash and cash equivalents	14	7,724,457	20,513,141
Derivatives held for trading	13	1,117,866	2,403,709
Financial assets designated at fair value through profit or loss	12	263,075,063	285,794,499
Amounts receivable from custodian		487	2,752,499
Interest receivable on investments		1,890,390	2,035,760
Bond lending fee income receivable		-	11,206
Expense prepayment		1,952	3,874
Total assets		273,810,215	313,514,688
Liabilities			
Derivatives held for trading	13	13,168,113	7,072,239
Amounts payable to custodian		1,597,118	2,995,676
Interest payable on notes issued		392,890	815,318
Expense accruals		14,010	25,094
Financial liabilities designated at fair value through profit or loss	15	258,596,053	302,564,330
Total liabilities		273,768,184	313,472,657
Equity			
Called up share capital	16	40,000	40,000
Profit and loss account		2,031	2,031
Total equity		42,031	42,031
Total liabilities and equity		273,810,215	313,514,688

The accompanying notes to the financial statements from page 19 to 57 form an integral part of the financial statements.

On behalf of the board

John Fitzpatrick
Director

Michael Boyce
Director

Date: 28 August 2020

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 30 April 2020

	Notes	Share capital €	Profit and loss account €	Total equity €
Balance as at 30 April 2018		40,000	2,031	42,031
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	**16**	40,000	2,031	42,031
Total comprehensive income for the year				
Profit for the year		-	750	750
Other comprehensive income		-	-	-
		-	750	750
Dividend paid during the year	**21**	-	(750)	(750)
Balance as at 30 April 2020	**16**	40,000	2,031	42,031

The accompanying notes to the financial statements from page 19 to 57 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the financial year ended 30 April 2020

	Notes	Year ended 30/04/2020 €	Year ended 30/04/2019 €
Cash flows from operating activities			
Interest received on investments		5,487,144	7,363,718
Interest paid on notes issued		(3,718,549)	(3,424,379)
Derivative receipts		27,060,073	6,779,574
Derivative payments		(24,798,466)	(9,703,682)
Net bond lending fee receipts		24,517	19,000
Other income		84,827	82,176
Other expenses		(432,941)	(454,230)
Cash generated from operating activities		3,706,605	662,177
Taxes paid	**11**	(250)	(250)
Net cash generated from operating activities		3,706,355	661,927
Cash flows from investing activities			
Investment purchases		(141,851,708)	(103,284,741)
Investment paydowns and disposals		165,285,676	179,457,755
Net cash from investing activities		23,433,968	76,173,014
Cash flows from financing activities			
Proceeds from note issuance	**15**	88,565,300	67,867,262
Redemption and repurchase of notes	**15**	(129,059,597)	(135,372,517)
Dividend paid	**21**	(750)	(750)
Net cash used in financing activities		(40,495,047)	(67,506,005)
Net (decrease)/increase in cash and cash equivalents		(13,354,724)	9,328,936
Cash and cash equivalents at beginning of the year		20,513,141	7,545,897
Effect of exchange rate changes on cash and cash equivalents		566,040	3,638,308
Cash and cash equivalents at end of the year	**14**	7,724,457	20,513,141

The accompanying notes to the financial statements from page 19 to 57 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Vespucci Structured Financial Products Plc (the "Company"), an Irish registered Company (registration number: 426220) was incorporated on 11 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 2020, 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. The following new standards, amendments to standards and interpretations in issue are effective for accounting periods beginning on or before 1 May 2019.

IFRS 16, 'Leases', is effective for annual periods beginning on or after 1 January 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases, replacing IAS 17. As no leases were held during the reporting period, the application of IFRS 16 has not impacted the financial position or performance of the Company.

IFRIC 23, 'Uncertainty over income tax treatments', is effective for annual periods beginning on or after 1 January 2019 and clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity recognises and measures its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit/ tax loss, tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. When there is uncertainty over income tax treatments, this interpretation addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The Company's existing accounting policy for income tax treatments is consistent with the requirements of IFRIC 23 and the application of this interpretation has not impacted the financial position or performance of the Company.

Amendments to IFRS 9, 'Prepayment Features with Negative Compensation', are effective for annual periods beginning on or after 1 January 2019 and enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. These prepayable assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract and the asset must be held within a 'held to collect' business model. The application of this narrow-scope amendment to IFRS 9 has not impacted the financial position or performance of the Company.

There are no other standards, amendments to standards or interpretations that are effective for accounting periods beginning on or before 1 May 2019 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 2019. The following new standards, amendments to standards and interpretations are forthcoming requirements in issue which are not yet effective for accounting periods beginning on or before 1 May 2019 and have not been early adopted in preparing these financial statements.

The Revised Conceptual Framework for Financial Reporting is effective for annual periods beginning on or after 1 January 2020 and replaces the existing Conceptual Framework. Entities will need to consider whether their accounting policies are still appropriate under the revised Framework where existing accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Basis of preparation (continued)

(c) New standards and interpretations not yet adopted (continued)

Amendments to IAS 1 and IAS 8, 'Definition of Material', are effective for annual periods beginning on or after 1 January 2020 and clarify when information is material and partially incorporate the guidance in IAS 1 regarding immaterial information.

Amendments to IFRS 7, IFRS 9 and IAS 39, 'Interest rate benchmark reform', are effective for annual periods beginning on or after 1 January 2020 and relate to the impact of IBOR reform on hedging for entities which adopt hedge accounting principles.

Amendments to IFRS 3, 'Definition of a business', are effective for annual periods beginning on or after 1 January 2020 and assist entities to determine whether an acquired set of activities and assets constitutes a business or not.

Amendment to IFRS 16, 'Covid-19-Related Rent Concessions', is effective for annual periods beginning on or after 1 June 2020 and exempts rent concessions occurring as a direct consequence of the pandemic from being accounted for as a lease modification.

Amendments to IAS 1, 'Classification of Liabilities as Current or Non-current', are effective for annual periods beginning on or after 1 January 2022 and clarify how classification should be assessed based on rights that are in existence at the end of the reporting period. This does not impact entities which utilise the liquidity basis of presentation for assets and liabilities.

Amendments to IFRS 3, 'Reference to the Conceptual Framework', are effective for annual periods beginning on or after 1 January 2022 and update a reference to the latest version of the Conceptual Framework.

Amendments to IAS 16, 'Property, Plant and Equipment: Proceeds before Intended Use', are effective for annual periods beginning on or after 1 January 2022 and prohibit deducting certain proceeds from selling items from the cost of an asset.

Amendments to IAS 37, 'Onerous Contracts – Costs of Fulfilling a Contract', are effective for annual periods beginning on or after 1 January 2022 and specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Annual Improvements to IFRSs 2018-2020 Cycle are a series of amendments effective for annual periods beginning on or after 1 January 2022 and apply to IFRS 1, IFRS 9, IFRS 16 and IAS 41. Amendments to IFRS 1 permit certain subsidiaries to apply certain measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. Amendments to IFRS 9 clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. Amendments to IFRS 16 remove an illustration relating to leasehold improvements in order to clarify the treatment of lease incentives. Amendments to IAS 41 remove the requirement that entities exclude cash flows for taxation when measuring the fair value of assets in scope.

IFRS 17, 'Insurance Contracts', is effective for annual periods beginning on or after 1 January 2023 and will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Amendments to IFRS 10 and IAS 28, 'Sales or contributions of assets between an investor and its associate/joint venture', currently have an indefinitely deferred effective date and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

None of these forthcoming requirements are expected to have a material effect on the financial statements or impact the financial position or performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Basis of preparation (continued)

(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 judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements and estimates that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements are required in the application of the Company's accounting policies and involve an assessment of facts and circumstances relating to a transaction, group of transactions or event. Areas of judgement include determination of the functional and presentation currency as described in Note 2(e) "Functional and presentation currency", the classification of financial assets and financial liabilities as described in Note 3(f) "Financial instruments: Classification", the appropriate valuation method to apply for financial instruments and the levelling hierarchy as described in Note 3(f) "Financial instruments: Fair Value Measurement Principles".

Estimates, including underlying and associated assumptions, are required in the event of both present and future uncertainties and actual results may differ from these estimates and assumptions. 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 carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

A key area of estimation for the Company is the determination of fair values for financial assets and financial liabilities, including derivatives, for which there is no observable market price. The valuation techniques used in determining the fair value of financial assets and liabilities for which there is no observable market price is described in the significant accounting policy Note 3(f) "Financial instruments: Fair Value Measurement Principles". The Company also uses estimates in determining expected credit losses on financial assets classified as measured at amortised cost as described in Note 3(f) "Financial instruments: Impairment".

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(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.

(d) Net expense from derivatives

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

(e) Cash and cash equivalents

Cash and cash equivalents include 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

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.

Classification

The three classifications applicable to financial instruments are fair value through profit or loss, amortised cost and fair value through other comprehensive income. A key factor in classification is an assessment of whether the financial asset or liability is held for trading. Trading generally reflects active and frequent buying and selling, and financial instruments held for trading generally are used with the objective of generating a profit from short-term fluctuations in price or dealer's margin. Financial assets and liabilities held for trading are financial instruments which are acquired or incurred principally for the purpose of selling or repurchasing in the near term, on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or are derivatives (other than a financial guarantee contract or a designated and effective hedging instrument under hedge accounting).

The various classifications which can be applied to financial assets and financial liabilities are detailed below:

- Financial assets can be classified as measured at fair value through profit or loss, amortised cost or fair value through other comprehensive income on initial recognition. A financial asset is measured at amortised cost if it is both held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest. Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset may be measured at fair value through other comprehensive income if an irrevocable election at initial recognition is made for certain types of securities which are not held for trading. All other financial assets are classified as being measured at fair value through profit or loss. This includes portfolios of financial assets that are managed and whose performance is evaluated on a fair value basis, which is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

Classification (continued)

- Financial liabilities can be classified as measured at fair value through profit or loss or amortised cost on initial recognition. Financial liabilities held for trading are measured at fair value through profit or loss and all other financial liabilities are measured at amortised cost unless the fair value option is applied. The fair value option for financial liabilities can be applied where doing so eliminates or significantly reduces a measurement or recognition inconsistency, or the liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis.

The Company classifies its investments in debt securities as financial assets measured at fair value through profit or loss. This assessment is based on both its business model for managing the financial instruments and the contractual cash flow characteristics of the instruments. The Company has classified its notes issued as measured at fair value through profit or loss in order to eliminate measurement and recognition inconsistency that would otherwise arise if measured at amortised cost as the underlying investments are classified as measured at fair value through profit or loss. These financial assets and financial liabilities are managed and evaluated on a fair value basis in accordance with a documented investment strategy. Information about these financial assets and financial liabilities is provided internally on a fair value basis to the Company's key management personnel.

The Company classifies the cross-currency swaps and interest rate swaps which it has entered into as derivatives held for trading. These derivatives have not been formally designated into a hedging relationship through the application of hedge accounting principles and as such have been classified as measured at fair value through profit or loss.

The Company classifies cash and cash equivalents and short-term receivables, representing interest receivable on investments, amounts receivable from custodian, bond lending fee income receivable and other receivables, as financial assets measured at amortised cost. These assets are both held within a business model whose objective is to hold assets to collect contractual cash flows and their contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest. Amounts payable to custodian, expense accruals (where outflows are supported by a contract) and interest payable on notes issued are classified as financial liabilities measured at amortised cost as these liabilities are not held for trading.

No financial instruments held by the Company are classified as measured at fair value through other comprehensive income.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial instruments.

Measurement

The Company measures its financial assets and financial liabilities classified as measured at fair value through profit or loss at fair value on initial recognition. Transaction costs on these instruments are expensed immediately. These instruments are subsequently measured at fair value, with net gain/loss including foreign exchange gain/loss, interest income and interest expense recognised in profit or loss.

The Company measures its financial assets and financial liabilities classified as measured at amortised cost at fair value plus or minus directly attributable transaction costs on initial recognition. These instruments are subsequently measured using the effective interest method for any difference between the initial amount and the maturity amount if applicable, with net gain/loss including foreign exchange gain/loss, interest income and interest expense recognised in profit or loss.

No amounts relating to financial instruments are recognised in other comprehensive income. The amount of change in the fair value of financial liabilities classified as measured at fair value through profit or loss (other than those held for trading) which is attributable to change in the credit risk of the liabilities is not recognised in other comprehensive income as this would create or enlarge an accounting mismatch in profit and loss. This is due to the recognition of net gain/loss including foreign exchange gain/loss and interest income of the underlying assets in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

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 fair value hierarchy has the following levels:

- 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 (i.e. as a price) or indirectly (i.e. derived from a price), 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 (i.e. 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 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. Estimates 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 the 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 two or more contributors or a combination of broker quotes. The fair value for commercial papers and time deposits are based on a discounted cash flow model which uses market interest rates as an input. Eonia overnight curve rates are used to discount these cash flows. The fair value for commercial papers and time deposits falls within Level 2 of the fair value hierarchy as the inputs are market observable. The fair value of 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

Fair Value Measurement Principles (continued)
The fair values of cross-currency swaps and interest rate swaps are based on net present values of future cash flows, the terms of which are outlined in standard ISDA swap contracts. Valuation models are used to value swaps which use market interest rates and reference rates (EURIBOR, USD LIBOR, PRIBOR and BUBOR) foreign exchange rates (USD, CZK and HUF) and credit margin as inputs. Eonia overnight curve rates are used to discount these cash flows. The fair value of cross-currency swaps and interest rate swaps fall 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 the Company using valuation techniques commonly used by market participants to assess financial instruments such as discounted future cash flows for swaps.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period in which the change has occurred. Transfers between levels in the fair value hierarchy are deemed to have occurred where there is an update to the valuation methodology that is based on the availability of observable inputs.

Derecognition
The Company derecognises a financial asset on the trade date at which 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, 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.

Impairment
The Company recognises loss allowances for expected credit losses on financial assets classified as measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses which are measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Company in accordance with the contract and the cash flows the Company expects to receive. An approach similar to the simplified approach for expected credit losses is used by the Company in estimating these losses. As all such financial assets held by the Company are short-term in nature, changes in credit risk are not tracked and instead loss allowances calculated will be estimated lifetime expected credit losses. The Company considers both historical analysis and forward-looking information (including macroeconomic and market data) in determining any expected credit loss. If a loss allowance on financial assets classified as measured at amortised cost is recognised, this amount is deducted from the gross carrying amount of the assets.

In the event that the Company has no reasonable expectations of recovering a financial asset, the gross carrying amount is written off in its entirety.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)

(g) Bond lending

Bonds subject to lending by the Company are not derecognised in the statement of financial position as the Company remains party to the contractual provisions of the instruments.

(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 assesses 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 to be classified as equity. The notes are redeemable upon maturity but can also be early redeemed subject to 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-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. Additional considerations regarding noteholder redemption are set out in Note 15.

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, Luxembourg 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Financial assets and liabilities

The following table details the classes and corresponding carrying values of financial assets and liabilities held by the Company at the reporting date.

	Year ended 30/04/2020 €	Year ended 30/04/2019 €
Financial Assets		
Investments at fair value	263,075,063	285,794,499
Derivatives held for trading	1,117,866	2,403,709
Cash and receivables at amortised cost	9,615,334	25,312,606
	273,808,263	313,510,814
Financial Liabilities		
Notes issued at fair value	(258,596,053)	(302,564,330)
Derivatives held for trading	(13,168,113)	(7,072,239)
Payables and accruals at amortised cost	(2,004,018)	(3,836,088)
	(273,768,184)	(313,472,657)

Cash and receivables at amortised cost as presented above represent cash and cash equivalents, interest receivable on investments, amounts receivable from custodian, bond lending fee income receivable and other receivables as detailed in the statement of financial position. All are considered recoverable within less than 1 year. All financial assets held at amortised cost by the Company are included in this class.

Payables and accruals at amortised cost 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. All financial liabilities held at amortised cost by the Company are included in this class.

Derivatives held for trading are measured at fair value through profit or loss.

There were no reclassifications between fair value measurement and amortised cost measurement arising from a change in business model during the year and therefore the fair value of reclassifications was €Nil *(2019: €Nil)*.

5. Interest income on financial assets designated at fair value through profit or loss	**Year ended 30/04/2020 €**	**Year ended 30/04/2019 €**
Interest income on bonds, commercial papers and time deposits	5,341,773	6,411,603

Further breakdown of interest income is set out in Note 17.

6. Interest expense on financial liabilities designated at fair value through profit or loss	**Year ended 30/04/2020 €**	**Year ended 30/04/2019 €**
Interest expense on notes issued	3,296,121	3,633,975

7. Net expense from derivatives held for trading	**Year ended 30/04/2020 €**	**Year ended 30/04/2019 €**
Settled derivative receipts	27,060,556	6,779,574
Settled derivative payments	(24,785,307)	(9,703,682)
Fair value movement on derivatives held for trading	(7,395,154)	302,550
	(5,119,905)	(2,621,558)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Net bond lending fee income	**Year ended 30/04/2020 €**	**Year ended 30/04/2019 €**
Fee income for providing bond lending service	27,490	29,842
Expense from re-investment of cash collateral	(77,347)	(86,399)
Income from re-investment of cash collateral	70,924	97,681
Custodian bond lending fee expense	(4,567)	(10,551)
Agent bond lending fee expense	(3,188)	(6,115)
	13,311	24,458

9. Other income	**Year ended 30/04/2020 €**	**Year ended 30/04/2019 €**
Settled interest income from cash and cash equivalents	73,372	78,082
Unsettled interest income from cash and cash equivalents	4	11,455
	73,376	89,537

10. Other fees	**Year ended 30/04/2020 €**	**Year ended 30/04/2019 €**
Portfolio management fees	295,694	352,524
Legal fees	8,756	1,684
Auditors' fees	11,439	11,439
Directors' fees	2,500	2,500
Tax compliance fees	2,569	2,569
Custody fees	11,296	3,681
Other fees	87,804	107,238
	420,058	481,635

Directors fees disclosed above relate solely to directors' emoluments. Further details of related party transactions included in other fees is set out in Note 19. The Company had no employees throughout the year *(2019: Nil).*

Other fees include Euronext Dublin listing fees, listing agent fees, Central Bank of Ireland issuer and document review fees, company secretarial fees, portfolio administration fees and corporate accounting administration fees.

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

	Year ended 30/04/2020 €	**Year ended 30/04/2019 €**
Audit of financial statements	9,300	9,300
Non-audit services	-	-
Tax advisory services	2,089	2,089
Other assurance services	-	-
	11,389	11,389

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 30/04/2020 €	Year ended 30/04/2019 €
Corporation tax charge	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%	250	250

The Company is taxed in accordance with Section 110 of the Taxes Consolidation Act 1997.

There are no assets or liabilities recognised relating to uncertain tax treatments at 30 April 2020.

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

	As at 30/04/2020 €	As at 30/04/2019 €
Financial assets with a maturity greater than 1 year		
Investments in EUR Bonds	129,853,382	128,750,131
Investments in USD Bonds	77,455,596	85,516,491
Investments in CZK Bonds	3,251,254	589,006
	210,560,232	214,855,628
Financial assets with a maturity within 1 year		
Investments in EUR Bonds	42,779,104	57,890,668
Investments in USD Bonds	9,735,727	9,219,740
Investments in CZK Bonds	-	3,828,463
	52,514,831	70,938,871
Total financial assets designated at fair value through profit or loss	263,075,063	285,794,499

The Company has pledged €5,573,258 *(2019: €4,402,474*) of its short duration investments and €6,730,605 *(2019: €Nil)* of its long duration investments as collateral for derivative contracts. The Company has lent €Nil *(2019: €13,649,741)* of its short duration bonds and €Nil *(2019: €8,826,095)* 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 day on 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, fixed rate commercial papers and fixed rate time deposits. The breakdown of the interest risk profile 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 are 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 30/04/2020 €	As at 30/04/2019 €
Opening balance	285,794,499	356,531,585
Settled purchases of investments	138,864,303	103,251,106
Unsettled purchases of investments	1,582,316	2,987,405
Settled sales of investments	(162,544,633)	(179,436,876)
Unsettled sales of investments	-	(2,741,043)
Realised loss on investments	(3,296,901)	(6,752,135)
Movement in unrealised gain on investments	2,675,479	11,954,457
Closing balance	263,075,063	285,794,499

13. Derivatives held for trading

Derivatives with a maturity greater than 1 year	As at 30/04/2020 €	As at 30/04/2019 €
Derivative assets		
Cross-currency swaps	793,695	783,989
Interest rate swaps	30,112	806,329
	823,807	1,590,318
Derivative liabilities		
Cross-currency swaps	(3,560,039)	(1,370,552)
Interest rate swaps	(8,773,671)	(3,839,030)
	(12,333,710)	(5,209,582)
Derivatives with a maturity within 1 year		
Derivative assets		
Cross-currency swaps	294,059	713,075
Interest rate swaps	-	100,316
	294,059	813,391
Derivative liabilities		
Cross-currency swaps	(23,354)	(1,036,614)
Interest rate swaps	(811,049)	(826,043)
	(834,403)	(1,862,657)

Currency analysis	As at 30/04/2020 €	As at 30/04/2019 €
Cross-currency swaps		
EUR	(2,482,428)	(254,843)
USD	-	(655,259)
CZK	(13,211)	-
Interest rate swaps		
EUR	(5,018,275)	(194,634)
USD	(4,383,880)	95,405
CZK	(152,453)	(3,659,199)

Further breakdown on the terms of derivatives held by the Company including notional is set out in Note 18(d) "Financial instruments, principal risks and uncertainties: Market risk".

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Cash and cash equivalents

	As at 30/04/2020 €	As at 30/04/2019 €
Cash held with KBC Bank NV	7,724,457	20,513,141

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

Currency analysis	As at 30/04/2020 €	As at 30/04/2019 €
EUR	1,915,463	16,716,301
USD	4,299,478	1,617,451
CZK	1,170,429	2,145,638
HUF	339,080	33,744
PLN	7	7

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

		As at 30/04/2020 €	As at 30/04/2019 €
Short Duration			
Financial liabilities with a maturity greater than 1 year			
Class	**Coupon**		
EUR Notes issued	6 month EURIBOR less 0.07%	81,643,278	132,253,320
CZK Notes issued	6 month PRIBOR less 0.81%	10,898,412	16,689,071
USD Notes issued	6 month USD LIBOR plus 0.23%	60,372,379	78,658,332
HUF Notes issued	6 month BUBOR less 0.15%	7,842,012	7,686,750
		160,756,081	235,287,473
Long Duration			
Financial liabilities with a maturity greater than 1 year			
Class	**Coupon**		
EUR Notes issued	6 month EURIBOR plus 0.15%	39,642,514	11,226,032
CZK Notes issued	6 month PRIBOR less 0.48%	14,679,508	13,629,894
USD Notes issued	6 month USD LIBOR plus 0.49%	43,517,950	42,420,931
		97,839,972	67,276,857
Total financial liabilities designated at fair value through profit or loss		258,596,053	302,564,330

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 a pro-rata share of 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 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.

Short duration noteholders share all of the risks of investments in the short duration portfolio on a pro-rata basis. 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 at fair value through profit or loss (continued)

	As at 30/04/2020 €	As at 30/04/2019 €
Opening balance	302,564,330	361,445,331
Issuance of notes	88,565,300	67,867,262
Redemption of notes issued	(129,059,597)	(135,372,517)
Unsettled redemption of notes issued	(9,974)	(3,806)
Gain on notes issued	(4,031,054)	(670,591)
Foreign currency loss	567,048	9,298,651
Closing balance	258,596,053	302,564,330

Gain on notes issued includes both net realised and unrealised price gains/losses. These are gains/losses driven by fair value losses/gains on the underlying debt security portfolio and excludes realised and unrealised movement due to foreign exchange gain/ loss.

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

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 30/04/2020 €	Carrying Amount as at 30/04/2019 €
EUR Notes issued - 6 month EURIBOR less 0.07%					
XS0268661971	Series No. 2006-1	23/03/2040	13,545,000	13,495,803	26,679,806
XS0271617150	Series No. 2006-3	23/04/2040	6,979,000	6,953,847	17,305,279
XS0274270577	Series No. 2006-4	10/05/2040	45,204,000	44,993,664	50,711,974
XS0279941214	Series No. 2006-5	22/06/2040	8,240,000	8,206,561	16,654,149
XS0280837005	Series No. 2007-6	10/01/2040	13,545,000	7,931,639	20,339,969
XS0381586949	Series No. 2008-20	10/02/2040	6,979,000	61,764	562,143
				81,643,278	132,253,320
CZK Notes issued - 6 month PRIBOR less 0.81%					
XS0292647087	Series No. 2007-8	23/03/2040	9,000,000	332,588	1,399,448
XS0299825892	Series No. 2007-14	10/05/2040	1,650,000	60,772	192,632
XS0309699014	Series No. 2007-15	10/01/2040	284,550,000	10,505,052	15,096,991
				10,898,412	16,689,071
USD Notes issued - 6 month USD LIBOR plus 0.23%					
XS0281002997	Series No. 2007-7	10/01/2040	28,364,000	25,843,117	49,372,371
XS0321803883	Series No. 2007-19	23/03/2040	37,946,000	34,529,262	29,285,961
				60,372,379	78,658,332
HUF Notes issued - 6 month BUBOR less 0.15%					
XS0309704111	Series No. 2007-17	10/01/2040	2,774,000,000	7,842,012	7,686,750

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 30/04/2020 €	Carrying Amount as at 30/04/2019 €
EUR Notes issued - 6 month EURIBOR less 0.15%					
XS0772029780	Series No. 2012-22	23/03/2040	-	-	1,541,373
XS0950410356	Series No. 2013-25	10/05/2040	38,055,000	39,642,514	9,665,528
XS0950405356	Series No. 2013-26	22/06/2040	-	-	19,131
				39,642,514	11,226,032
CZK Notes issued - 6 month PRIBOR less 0.48%					
XS0950407139	Series No. 2013-27	10/01/2040	379,950,000	14,679,508	13,629,894
USD Notes issued - 6 month USD LIBOR less 0.49%					
XS1279453903	Series No. 2015-28	23/03/2040	45,696,000	43,517,950	42,420,931
				43,517,950	42,420,931

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

Amounts falling due	As at 30/04/2020 €	As at 30/04/2019 €
Greater than 1 year	258,596,053	302,564,330
	258,596,053	302,564,330

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 on the underlying financial assets. The credit risk component of note valuation is deemed to be the mark-to-market adjustment applied at each quinzaine date, which represents the value of the change in credit spreads of the underlying financial assets. The note financial liabilities are valued using an internal model which is adjusted for mark-to-market adjustments to link the fair values of the notes to the underlying assets. The difference between the underlying asset value (exclusive of the impact of non-credit risk factors such as interest rate risk and currency risk through the inclusion of hedging swaps) and the note liabilities (before mark-to-market adjustment) less previous mark-to-market adjustments is the adjustment calculated for note valuation at each quinzaine date. When these differences are positive the credit adjustment will result in an increase in fair value of the notes (net loss on notes issued) and when negative the credit adjustment will result in a decrease in the fair value of the notes (net gain on notes issued). The amount of cumulative change in fair value that is attributable to changes in the credit risk of the notes is a net loss on financial liabilities of 3,641,256 *(2019: 6,119,022)*. This corresponds to 1.43% of the functional currency notional of the notes *(2019: 2.06%)*. The amount of change in the period in fair value that is attributable to changes in the credit risk of the notes is a net gain on financial liabilities of 2,477,766 *(2019: 1,211,587)*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Called up share capital

	As at 30/04/2020 €	As at 30/04/2019 €
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 issued 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 the European Central Bank's quantitative easing policy 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. The assets and liabilities and results of this reportable segment correspond to the amounts presented on page 16 and 15 respectively.

KBC Asset Management NV has been appointed as portfolio manager to the Company and a portfolio management agreement has been entered into between the two entities. 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 the directors have approved all subsequent updates to the Prospectus. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Segment analysis (continued)

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". 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 2020, the internal credit rating assigned to the notes by the KBC Asset Management NV Risk department was AA- and A+ respectively (2019: AA- and AA- respectively).
- 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 assess whether the Company is 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 2020 the Company's short duration portfolio is overinvested by 1.16% *(2019: 0.88%*) and the long duration portfolio is overinvested by 5.99% *(2019: 6.26%).*
- The level 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 2020 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. Further detail on the exposure management process, in addition to the industrial sector and country breakdown of investments held at 30 April 2020, is set out in Note 18(b) "Financial instruments, principal risks and uncertainties: Concentration risk*".*
- 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 2020 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 2020 ("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 30/04/2020 €	**Year ended 30/04/2019 €**
Interest income from bonds	5,331,320	6,359,618
Interest income from commercial papers	10,453	50,606
Interest income from time deposits	-	1,379
	5,341,773	6,411,603

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Segment analysis (continued)

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

	Year ended 30/04/2020 €	Year ended 30/04/2019 €
United States of America	1,740,417	1,580,368
France	778,591	839,264
The Netherlands	386,478	730,320
Sweden	344,999	424,181
Australia	317,778	495,204
Poland	308,084	223,431
Belgium	281,786	356,431
Germany	234,055	224,196
Canada	166,286	244,892
Finland	150,176	189,941
United Kingdom	143,028	508,747
Austria	85,607	242,408
Japan	80,216	45,255
Switzerland	65,576	28,774
Spain	55,569	18,387
Norway	40,874	135,560
Denmark	29,760	36,270
Slovenia	14,480	-
Latvia	13,609	-
Czech Republic	11,478	12,300
Italy	3,501	516
Slovakia	-	20,387
Rest of Europe	89,425	54,771
	5,341,773	6,411,603

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

	As at 30/04/2020 €	As at 30/04/2019 €
Non-current investments		
United States of America	74,128,772	68,377,508
France	25,633,907	30,549,487
Belgium	15,328,799	10,270,369
The Netherlands	12,733,554	17,449,785
Germany	9,850,760	10,613,438
Australia	9,728,417	10,300,144
Japan	9,635,014	2,967,012
Canada	7,974,762	11,957,597
United Kingdom	6,470,314	3,681,450
Austria	4,979,847	4,612,594
Czech Republic	4,846,262	2,186,286
Poland	4,585,326	3,217,271
Denmark	4,091,090	3,394,022
Spain	3,231,140	532,787
Finland	3,080,235	3,115,760
Sweden	1,605,355	22,352,671
Norway	1,441,523	2,080,092
Slovenia	1,324,020	-
Switzerland	1,245,847	4,253,877
Latvia	830,738	-
Italy	711,515	707,175
Rest of Europe	7,103,035	2,236,303
	210,560,232	214,855,628

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Segment analysis (continued)

Non-current derivatives	**As at 30/04/2020 €**	**As at 30/04/2020 €**
Belgium	(11,509,903)	(3,619,264)
	(11,509,903)	(3,619,264)

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 2020. This benchmark was determined on inception by the KBC Asset Management NV Risk department.

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. Short duration noteholders share all of the risks and rewards of the investments in the short duration portfolio on a pro-rata basis and 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. Financial assets which are not measured at amortised cost are not subject to expected credit loss allowance requirements. The maximum gross exposure to credit/counterparty risk at the statement of financial position date was:

Short Duration	**As at 30/04/2020 €**	**As at 30/04/2019 €**
Financial assets designated at fair value through profit or loss	159,261,206	219,206,639
Derivatives held for trading	351,587	1,562,733
Cash and cash equivalents	5,941,059	19,419,638
Interest receivable on investments	1,251,136	1,610,060
Amounts receivable from custodian	363	2,751,103
Fee income receivable	-	5,967
	166,805,351	244,556,140

Long Duration	**As at 30/04/2020 €**	**As at 30/04/2019 €**
Financial assets designated at fair value through profit or loss	103,813,857	66,587,860
Derivatives held for trading	766,279	840,976
Cash and cash equivalents	1,783,398	1,093,503
Interest receivable on investments	639,254	425,700
Amounts receivable from custodian	124	1,396
Fee income receivable	-	5,239
	107,002,912	68,954,674

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(a) Credit/counterparty risk (continued)

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.

The following are the minimum credit ratings for investments purchased by the Company, which the KBC Asset Management NV's Risk department monitors during its review:

- 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 long-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.

KBC Asset Management NV's Risk department monitors the credit/counterparty risk for the investments held by the Company by monitoring external credit ratings on a monthly basis. The investment portfolio of the Company is assessed on an average basis to validate the average minimum long-term credit rating is at least A- from Standard & Poor's or an equivalent long-term credit rating from Moody's or Fitch. Individual securities which have undergone a downgrade in credit rating below this minimum will be assessed on a case-by-case basis and may be subject to a higher level of monitoring or divested from depending on the assessment made.

KBC Asset Management NV consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the short-term. Financial assets measured at amortised cost by the Company are short-term receivables representing cash and cash equivalents, interest receivable, amounts receivable from the custodian, bond lending fee income receivable and other receivables. At 30 April 2020, the total of expected credit losses on these short-term receivables was immaterial and on which a nil loss allowance had been recognised (*2019: € Nil*). No assets are considered impaired and no amounts have been written off in the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(a) Credit/counterparty risk (continued)

Short Duration

Rating	**Rating agency**	**As at 30/04/2020 %**	**As at 30/04/2019 %**
Long-term			
AAA	Standard & Poor's	8.88	8.76
AA+	Standard & Poor's	8.86	2.58
AA	Standard & Poor's	1.07	9.21
AA-	Standard & Poor's	16.75	6.45
A+	Standard & Poor's	11.27	12.02
A	Standard & Poor's	5.39	8.60
A-	Standard & Poor's	24.10	21.18
Aaa	Moody's	1.26	15.28
Aa2	Moody's	-	4.55
Aa3	Moody's	3.34	1.99
A2	Moody's	8.52	-
A3	Moody's	6.78	3.61
Baa1	Moody's	0.64	2.78
AAA	Fitch	-	0.50
A+	Fitch	-	1.78
A	Fitch	0.49	0.47
A-	Fitch	2.65	0.24
		100.00	100.00

Long Duration

Long-term			
AAA	Standard & Poor's	6.47	5.19
AA+	Standard & Poor's	5.70	4.68
AA	Standard & Poor's	7.99	-
AA-	Standard & Poor's	6.90	10.59
A+	Standard & Poor's	3.05	4.93
A	Standard & Poor's	15.60	16.69
A-	Standard & Poor's	19.34	15.59
Aaa	Moody's	3.19	19.11
Aa1	Moody's	3.72	-
Aa2	Moody's	4.27	3.29
Aa3	Moody's	0.69	1.06
A3	Moody's	14.46	8.13
AAA	Fitch	0.34	-
AA-	Fitch	-	4.30
A+	Fitch	-	0.75
A	Fitch	0.36	5.69
A-	Fitch	7.92	-
		100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(a) Credit/counterparty risk (continued)

As at 30 April 2020, all holdings met the minimum rating requirement. All cash balances are held with KBC Bank NV. KBC Bank NV had an "A-2" *(30 April 2019: "A-1")* short-term rating and an "A-" *(30 April 2019: "A")* long-term credit rating from Standard & Poor's as at 30 April 2020. KBC Bank NV is the swap counterparty for all derivatives held for trading.

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 2020. 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 2020 and 2019. The Company has entered into an ISDA Master Agreement and Credit Support Annex with KBC Bank NV.

All derivatives entered into by the Company have to be 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 the Company can take possession of the collateral.

(b) Concentration risk

Investments held by the Company are subject to portfolio exposure limits which are monitored by KBC Asset Management NV. These limits codify the risk appetite of KBC Group as a whole towards specific countries and issuers. This evaluation is model-based using issuer characteristics. When the credit rating of a debt instrument is downgraded, the issuer limit will decrease the targeted future exposure. Purchases of this instrument can still be made assuming that there are sufficient resources available for allocation and the minimum long-term credit rating is at least A- from Standard & Poor's or an equivalent long-term credit rating from Moody's or Fitch. In the event of exposures exceeding limits, an action plan will be implemented to reduce the exposure (depending on time-to-maturity and specific insights from the analyst teams).

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

(b) Concentration risk (continued)

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 30/04/2020**	**As at 30/04/2019**
Short Duration	**%**	**%**
Banking and financial services	74.10	68.28
Government	20.45	21.74
Automobiles	-	3.68
Computers & Peripherals	0.76	2.41
Gas Utilities	3.14	-
Telecommunications	-	2.30
Real estate	-	0.61
Beverages	-	0.50
Electronic equipment	0.91	0.48
Food Products	0.64	-
	100.00	100.00
Long Duration		
Banking and financial services	69.64	80.23
Government	28.39	19.77
IT Services	1.97	-
	100.00	100.00

Country	**As at 30/04/2020**	**As at 30/04/2019**
Short Duration	**%**	**%**
United States of America	32.20	25.78
France	12.95	11.85
Sweden	9.63	10.34
Canada	6.96	6.42
Germany	5.85	4.80
The Netherlands	5.01	11.45
Belgium	4.88	5.04
Australia	4.33	3.19
Austria	2.93	2.10
United Kingdom	2.32	4.11
Switzerland	2.21	1.63
Poland	1.95	3.85
Finland	1.93	3.71
Czech Republic	1.84	2.52
Japan	1.60	1.00
Norway	0.91	0.95
Denmark	0.71	-
Spain	0.33	0.24
Rest of Europe	1.46	1.02
	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 30/04/2020**	**As at 30/04/2019**
Long Duration	**%**	**%**
United States of America	28.24	29.52
France	19.51	20.90
Belgium	7.29	4.91
Japan	6.82	1.18
The Netherlands	4.78	5.78
United Kingdom	4.60	2.14
Denmark	2.86	5.10
Australia	2.72	11.90
Spain	2.61	-
Austria	2.51	-
Germany	2.45	2.45
Czech Republic	1.84	0.75
Sweden	1.55	7.08
Poland	1.43	-
Slovenia	1.27	-
Latvia	0.80	-
Switzerland	0.71	1.03
Italy	0.69	1.06
Canada	0.48	1.52
Finland	-	4.68
Rest of Europe	6.84	-
	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 manages liquidity risk through the use of the "quinzaine" process to manage the issuance and redemptions of Notes. It also manages 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 is the ratio of High-Quality Liquid Assets "HQLA" to expected outflows over a 30-day period and should be equal to or greater than 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 interest payable on notes issued does not include profit-participating excess spread which may be paid out at future coupon dates if there is sufficient profit net of expenses to be allocated. Further detail on excess spread is set out in Note 15.

As at 30 April 2020

	Carrying amount €	Gross contractual cash flows €	Within one year €	Greater than one year €
Financial assets designated at fair value through profit or loss	263,075,063	260,489,869	52,106,286	208,383,583
Derivatives held for trading*	1,117,866	1,117,866	294,059	823,807
Cash and cash equivalents	7,724,457	7,724,457	7,724,457	-
Interest receivable on investments	1,890,390	1,890,390	1,890,390	-
Bond lending fee income receivable	-	-	-	-
Amounts receivable from custodian	487	487	487	-
	273,808,263	271,223,069	62,015,679	209,207,390
Financial liabilities designated at fair value through profit or loss	(258,596,053)	(256,010,859)	-	(256,010,859)
Derivatives held for trading*	(13,168,113)	(13,168,113)	(834,403)	(12,333,710)
Interest payable on notes issued	(392,890)	(392,890)	(392,890)	-
Expense accruals	(14,010)	(14,010)	(14,010)	-
Amounts payable to custodian	(1,597,118)	(1,597,118)	(1,597,118)	-
	(273,768,184)	(271,182,990)	(2,838,421)	(268,344,569)
	40,079	40,079	59,177,258	(59,137,179)

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	285,794,499	339,774,443	76,062,093	263,712,350
Derivatives held for trading*	2,403,709	2,403,709	813,391	1,590,318
Cash and cash equivalents	20,513,141	20,513,141	20,513,141	-
Interest receivable on investments	2,035,760	2,035,760	2,035,760	-
Bond lending fee income receivable	11,206	11,206	11,206	-
Amounts receivable from custodian	2,752,499	2,752,499	2,752,499	-
	313,510,814	367,490,758	102,188,090	265,302,668
Financial liabilities designated at fair value through profit or loss	(302,564,330)	(356,544,274)	(5,932,504)	(350,611,770)
Derivatives held for trading*	(7,072,239)	(7,072,239)	(1,862,657)	(5,209,582)
Interest payable on notes issued	(815,318)	(815,318)	(815,318)	-
Expense accruals	(25,094)	(25,094)	(25,094)	-
Amounts payable to custodian	(2,995,676)	(2,995,676)	(2,995,676)	-
	(313,472,657)	(367,452,601)	(11,631,249)	(355,821,352)
	38,157	38,157	90,556,841	(90,518,684)

**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), British Pound (GBP) and Hungarian Forint (HUF). 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 translate balances denominated in foreign currencies at the statement of financial position date:

	As at 30/04/2020 €	As at 30/04/2019 €
USD	1.0953	1.1207
CZK	27.0275	25.6470
HUF	351.4450	323.8500

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 same the 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 mark-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.

There are no material differences in the currency risk management policies across different series of notes issued.

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 2020

	CZK €	**USD** €	**HUF** €	**PLN** €	**Total** €
Investments held (at nominal amounts)					
- Short duration	1,246,878	54,612,435	-	-	55,859,313
- Long duration	1,905,466	29,170,090	-	-	31,075,556
	3,152,344	83,782,525	-	-	86,934,869
Cash and cash equivalents					
- Short duration	825,836	3,576,570	339,080	6	4,741,492
- Long duration	344,592	722,909	-	-	1,067,501
	1,170,428	4,299,479	339,080	6	5,808,993
Notes issued (at nominal amounts)					
- Short duration	(10,922,203)	(60,540,491)	(7,893,126)	-	(79,355,820)
- Long duration	(14,057,897)	(41,720,077)	-	-	(55,777,974)
	(24,980,100)	(102,260,568)	(7,893,126)	-	(135,133,794)
	(20,657,328)	(14,178,564)	(7,554,046)	6	(42,389,932)

As at 30 April 2019

	CZK €	**USD** €	**HUF** €	**PLN** €	**Total** €
Investments held (at nominal amounts)					
- Short duration	3,977,073	65,447,488	-	-	69,424,561
- Long duration	526,377	28,687,428	-	-	29,213,805
	4,503,450	94,134,916	-	-	98,638,366
Cash and cash equivalents					
- Short duration	2,005,593	1,252,741	33,744	6	3,292,084
- Long duration	140,045	364,710	-	-	504,755
	2,145,638	1,617,451	33,744	6	3,796,839
Notes issued (at nominal amounts)					
- Short duration	(16,551,643)	(77,983,403)	(7,622,356)	-	(102,157,402)
- Long duration	(12,826,062)	(39,914,339)	-	-	(52,740,401)
	(29,377,705)	(117,897,742)	(7,622,356)	-	(154,897,803)
	(22,728,617)	(22,145,375)	(7,588,612)	6	(52,462,598)

The cross-currency swaps entered into to mitigate currency risk on investments acquired in different currencies to the notes issued are as follows:

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 2020	**CZK** €	**USD** €	**HUF** €	**Total** €
Swaps (at nominal amounts)				
- Short duration	9,450,000	2,800,000	8,705,000	20,955,000
- Long duration	13,424,025	13,600,000	-	27,024,025
	22,874,025	16,400,000	8,705,000	47,979,025

As at 30 April 2019	**CZK** €	**USD** €	**HUF** €	**Total** €
Swaps (at nominal amounts)				
- Short duration	10,420,000	9,090,350	-	19,510,350
- Long duration	12,140,000	13,200,000	-	25,340,000
	22,560,000	22,290,350	-	44,850,350

(ii) Interest rate risk

The Company is exposed to changes in its cost of financing arising from movements in the EURIBOR, USD LIBOR, PRIBOR and BUBOR rates which respectively form the basis of the interest payments on the EUR, USD, CZK and HUF 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 IBOR-linked coupon every six months. There are 6 different coupon periods and 4 different currencies (EUR, USD, CZK 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.

There are no material changes in interest rate risk exposure of the noteholders.

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 2020	**EUR**	**USD**	**CZK**
Gross nominal amount of bonds	173,555,000	91,767,000	85,200,000
Nominal amount mitigated through use of derivatives	154,855,000	91,767,000	85,200,000
Net nominal amount exposed	18,700,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(d) Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 April 2019	**EUR**	**USD**	**CZK**
Gross nominal amount of bonds	184,410,000	105,497,000	115,500,000
Nominal amount mitigated through use of derivatives	165,710,000	105,497,000	115,500,000
Net nominal amount exposed	18,700,000	-	-

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

As at 30 April 2020	**Maturity within 1 year**	**Maturity greater than 1 year**
Financial assets designated at fair value through profit or loss	**€**	**€**
Floating rate		
- Short duration	999,850	19,609,166
- Long duration	-	520,028
	999,850	20,129,194
Fixed rate		
- Short duration	51,514,981	87,137,209
- Long duration	-	103,293,829
	51,514,981	190,431,038
	52,514,831	210,560,232
Financial liabilities designated at fair value through profit or loss		
Floating rate		
- Short duration	-	(160,756,081)
- Long duration	-	(97,839,972)
	-	(258,596,053)
Derivatives held for trading		
- Short duration	(540,344)	(4,671,951)
- Long duration	-	(6,837,952)
	(540,344)	(11,509,903)

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

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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	8,756,638	23,796,383
- Long duration	-	200,098
	8,756,638	23,996,481
Fixed rate		
- Short duration	62,182,233	124,471,386
- Long duration	-	66,387,761
	62,182,233	190,859,147
	70,938,871	214,855,628
Financial liabilities designated at fair value through profit or loss		
Floating rate		
- Short duration	-	(235,287,473)
- Long duration	-	(67,276,857)
	-	(302,564,330)
Derivatives held for trading		
- Short duration	(1,049,266)	(2,998,358)
- Long duration	-	(620,906)
	(1,049,266)	(3,619,264)

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(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 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:

	2020	**2019**
USD	+/-15%	+/-16%
CZK	+/-10%	+/-9%
HUF	+/-14%	+/-14%

As at 30 April 2020	**CZK** **€**	**USD** **€**	**HUF** **€**	**PLN** **€**
Investments held (at nominal amounts)				
- Short duration	112,629	7,235,381	-	-
- Long duration	172,119	3,864,627	-	-
	284,748	11,100,008	-	-
Cash and cash equivalents				
- Short duration	74,597	473,845	42,106	1
- Long duration	31,127	95,775	-	-
	105,724	569,620	42,106	1
Notes issued (at nominal amounts)				
- Short duration	986,590	8,020,765	980,156	-
- Long duration	1,269,834	5,527,324	-	-
	2,256,424	13,548,089	980,156	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

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	331,904	9,116,384	-	-
- Long duration	43,928	3,995,961	-	-
	375,832	13,112,345	-	-
Cash and cash equivalents				
- Short duration	167,375	174,498	4,143	1
- Long duration	11,687	50,802	-	-
	179,062	225,300	4,143	1
Notes issued (at nominal amounts)				
- Short duration	1,381,305	10,862,551	935,957	-
- Long duration	1,070,389	5,559,793	-	-
	2,451,694	16,422,344	935,957	-

(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 for the Company. 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:

	2020	**2019**
EUR	+/-3%	+/-3%
USD	+/-2%	+/-2%
CZK	+/-2%	+/-1%

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

	As at 30/04/2020	**As at 30/04/2019**
Short Duration	**€**	**€**
USD interest payable on notes issued	+/- 4,245	+/- 11,050
CZK interest payable on notes issued	+/- 465	+/- 607
Long Duration		
USD interest payable on notes issued	+/- 1,145	+/- 2,741
CZK interest payable on notes issued	+/- 745	+/- 623

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(e) Sensitivity analysis (continued)

(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 30/04/2020 €	As at 30/04/2019 €
Short Duration		
Movement in fair value of bonds held for 5% change in market prices	+/- 7,963,060	+/- 10,960,332
Long Duration		
Movement in fair value of bonds held for 5% change in market prices	+/- 5,190,693	+/- 3,329,393

(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 30/04/2020 €	As at 30/04/2019 €
Financial assets designated at fair value through profit or loss		
- Short duration	159,261,206	219,206,639
- Long duration	103,813,857	66,587,860
	263,075,063	285,794,499
Cash and cash equivalents		
- Short duration	5,941,059	16,432,233
- Long duration	1,783,398	1,093,503
	7,724,457	17,525,736

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(g) Collateral (continued)

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 €5,573,258 *(2019: €4,402,474)* of its short duration investments and €6,730,605 *(2019: €Nil)* 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 engaged 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. 85% of the return is allocated to the Company with 15% allocated to Société Générale S.A. as lending agent. The following are the 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.
- 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 counterparty.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(g) Collateral (continued)

Bond lending activity was temporarily suspended at the reporting date. The following represents the breakdown of the bond lending and the collateral held by Société Générale S.A. on behalf of the Company:

	As at 30/04/2020 €	As at 30/04/2019 €
Short duration		
Bonds lent	-	13,649,741
Cash collateral	-	(68,354)
Money market funds	-	(13,982,419)
	-	(401,032)
Long duration		
Bonds lent	-	8,826,095
Cash collateral	-	(118,389)
Money market funds	-	(9,909,270)
	-	(1,201,564)

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.

(h) Fair values

The accounting policies regarding the fair value hierarchy are set out in Note 3(f) "Financial instruments: Fair Value Measurement Principles". Additional considerations around the use of judgements and estimates are set out in Note 2(f) "Use of judgements and estimates". 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 2020

	Level 1 €	Level 2 €	Level 3 €	Total balance €
Financial assets designated at fair value through profit or loss				
Bonds	-	263,075,063	-	263,075,063
	-	263,075,063	-	263,075,063
Derivatives held for trading				
Cross-currency swaps	-	(2,495,639)	-	(2,495,639)
Interest rate swaps	-	(9,554,608)	-	(9,554,608)
	-	(12,050,247)	-	(12,050,247)
Financial liabilities designated at fair value through profit or loss				
Notes issued	-	(258,596,053)	-	(258,596,053)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(h) Fair values (continued)

As at 30 April 2019

	Level 1	Level 2	Level 3	Total balance
	€	€	€	€
Financial assets designated at fair value through profit or loss				
Bonds	-	285,794,499	-	285,794,499
	-	285,794,499	-	285,794,499
Derivatives held for trading				
Cross-currency swaps	-	(910,102)	-	(910,101)
Interest rate swaps	-	(3,758,428)	-	(3,758,428)
	-	(4,668,530)	-	(4,668,529)
Financial liabilities designated at fair value through profit or loss				
Notes issued	-	(302,564,330)	-	(302,564,330)

At 30 April 2020, no bonds were valued using a model using credit default spread or analogue bond spreads.

There were no transfers between levels during the year.

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 by 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 30/04/2020 €	**As at 30/04/2019 €**
Financial assets		
Gross carrying amounts of derivatives before offsetting	1,117,866	2,403,709
Amounts offset in accordance with offsetting criteria	-	-
Net amounts presented in statement of financial position	1,117,866	2,403,709
Effect of remaining rights of set-off that do not meet the criteria for offsetting in the statement of financial position:		
- Derivatives	(1,117,866)	(2,403,709)
- Bonds pledged as collateral	-	-
Net exposure	-	-

	As at 30/04/2020 €	**As at 30/04/2019 €**
Financial liabilities		
Gross carrying amounts of derivatives before offsetting	(13,168,113)	(7,072,239)
Amounts offset in accordance with offsetting criteria	-	-
Net amounts presented in statement of financial position	(13,168,113)	(7,072,239)
Effect of remaining rights of set-off that do not meet the criteria for offsetting in the statement of financial position:		
- Derivatives	1,117,866	2,403,709
- Bonds pledged as collateral	12,050,247	4,202,474
Net exposure	-	(466,056)

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".

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(j) Capital management

The Company's capital includes both equity, representing ordinary share capital and the cumulative profit and loss account, and debt, representing limited-recourse notes issued. The Company relies on the expertise of KBC Asset Management NV to manage capital. The Company's capital management objectives are to ensure the ability to continue as a going concern and to ensure the portfolio of securities held allows for continued note issuance. The valuation of notes issued is substantially derived from the valuation of underlying debt instruments held and management of this form of capital is achieved through maintenance of a liquid portfolio of securities with strong credit ratings and potential for net investment gains. The Company is entitled to retain a reserved profit of €1,000 per annum. Profit generated and recognised in the cumulative profit and loss account is distributed in the form of dividends on an annual basis and therefore the dividend payout ratio is 100%.

The total amount subject to capital management policies at the reporting date is €258,638,084 (*2019: €302,606,361)*. Due to the structure of the Company as a Section 110 vehicle, standardised ratios used in capital management such as gearing are deemed not to be appropriate or relevant. KBC Asset Management NV does not set targeted returns for capital management purposes. A description of the ratios and methods used by KBC Asset Management NV in deciding how resources are allocated and assessing the performance of the investments are detailed in Note 17. These ratios and methods include credit quality assessment, ALM ratios, note issuance and redemption assessments, analysis of exposures and price fluctuation reviews.

It is not expected that the Company will issue additional ordinary shares and any additional note series issued in future reporting periods will be driven by changes in portfolio composition and investor demand at the underlying fund level. The terms applicable to note redemptions and the quinzaine process have been outlined in Note 3 and Note 15.

The Company is not subject to externally-imposed capital requirements. There were no changes in the Company's capital management policy during the reporting period.

(k) IBOR reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform interbank offered rates ("IBORs") with alternative nearly risk-free rates. Of particular note is the LIBOR, which will not be supported after 31 December 2021 and may cease to be published or deemed to be non-representative of underlying financial reality by the UK Financial Conduct Authority thereafter. LIBOR is currently published in a number of currencies and tenors and has historically been the most significant and common reference rate underpinning financial market activity and credit institution rates. Alternative reference rates include the SONIA (GBP) and SOFR (USD). These alternative reference rates are overnight rates and are not currently published in tenors unlike the LIBOR. To approximate tenors such as 6-month rates, these overnight rates will generally be compounded in arrears or adjusted through the use of financial modelling. Benchmark reform in the EU is legislated through the Benchmark Regulation. In EU jurisdictions no reference rates other than those administered by an approved body may be used by supervised entities from 1 January 2022. The EURIBOR, following a revision to its calculation methodology, continues to be published and will be compliant for Benchmark Regulation purposes. A new alternative reference rate, the €STR was launched in 2019 and effectively replaces the Eonia as the EU benchmark overnight rate, which will be discontinued in 2022. Given the pervasive nature of hedges involving IBOR-based contracts, the reforms will affect entities in all industries globally.

The Company has exposure to existing IBOR reference rates which will be replaced or reformed on its debt securities held, notes issued and derivative financial instruments. Transition from IBORs to alternative reference rates may impact the valuation of financial assets measured at fair value as well as interest income on floating rate notes, excluding the effect of hedging. There is uncertainty over the timing and methods of transition by the issuers the Company invests in, which are spread across a number of jurisdictions. This uncertainty impacts the Company's hedging as well as note valuation and interest expense which are linked to the IBOR rates of the underlying bonds held. Derivative instruments are governed by ISDA's 2006 definitions. ISDA is currently reviewing its definitions in light of the LIBOR reform and the Company expects ISDA to issue standardised amendments to the derivative contract Master Agreement and protocol in Q3 2020. These amendments will include fallback provisions in the event that LIBOR publication is discontinued entirely and will allow relevant parties to define an alternative rate (e.g. SOFR) to apply in this scenario.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(k) IBOR reform (continued)

Due to the nature of the uncertainty surrounding the reform, the quantitative impact cannot be reliably estimated by Management. Modifications to hedging instruments and note terms will be made as the reference rates on the associated debt instrument assets held are updated to alternative reference rates. No derivative contracts or note terms have been modified at 30 April 2020.

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 (2019*: €2,208)* for the financial year, €Nil of which was payable as at 30 April 2020 (2019*: 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 and resigned as a non-executive director to the Company on 17 December 2019. Frank Van de Vel, appointed as a non-executive director to the Company on 17 December 2019, is a director of KBC Asset Management NV.

KBC Asset Management NV earned fees of €295,694 *(2019: €352,524)* and €13,500 *(2019: €12,375)* respectively for its role as portfolio manager and administrator. Portfolio management fees and administrator fees payable as at 30 April 2020 was €Nil *(2019: €Nil)* and €Nil (2019*: €Nil)* respectively. KBC Bank NV earned fees of €11,296 *(2019: €3,681)* for its role as Custodian. Custodian fees payable as at 30 April 2020 was €Nil *(2019: €Nil).*

Christiaan Sterckx, Frank Van de Vel 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 2020 were €Nil *(2019: €Nil).* Ancillary fees incurred on behalf of the directors not relating to emoluments include payroll administration and insurance costs of €3,816 (*2019: €431*). Ancillary fees incurred on behalf of the Directors outstanding as at 30 April 2020 were €Nil (*2019: €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.

21. Dividends

On 20 February 2020, the Company paid a dividend of €750 *(2019: €750)*. The directors proposed a dividend of €750 (€0.01875 per ordinary share) on 28 August 2020 *(2019: €750 (€0.01875 per ordinary share)).*

22. Subsequent events

The directors proposed a dividend of €750 on 28 August 2020. Bond lending re-commenced following temporary suspension of activities in March 2020. Net note redemptions of existing series subsequent to the reporting date were €12,518,342.

23. Approval of financial statements

The financial statements were approved by the board of directors on 28 August 2020.