Registered No: 04826611

KBC Investments Limited

Report and Financial Statements

31 December 2018

Registered No: 04826611

Directors
Andrew Egan
Filip Gils

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Bankers
HSBC
60 Queen Victoria Street
London
EC4N 4TR

Solicitors
Linklaters & Alliance
One Silk Street
London
EC2Y 8KE

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111 Old Broad Street
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Registered No: 04826611

Strategic report

The directors present their strategic report for KBC Investments Limited (the "Company") for the year ended 31 December 2018.

Business Review

The Company, a direct subsidiary of KBC Bank NV, was created to act as a proprietary trading vehicle. As a consequence of the market turmoil in recent years, the Company has taken continued steps to reduce the level of risk to which it is exposed.

The Company has not undertaken any new business during the year and no further new business is intended. The residual risk exposure within the legacy portfolio is deemed to be minimal, but this risk is actively managed.

The risks within the Company are not considered to be material. Foreign exchange positions are taken to hedge any foreign exchange risk. The Company is exposed to minimal interest rate risk given the main interest bearing item is a deposit.

The Company recorded a profit for the financial year of €19,435k (2017: loss of 177,841k).

A foreign exchange (FX) translation profit of €18,296k is also included in the profit for the year ended 31 December 2018 (2017: loss of €188,106k). The FX gain (2017 : loss) has arisen primarily as a result of the translation of the Company's non-Euro denominated monetary assets and liabilities into its functional currency.

The directors consider profit/(loss) for the financial year to be a key performance indicator for the Company.

The financial statements have been prepared on a basis other than going concern reflecting the cessation of business and the board of directors' intent to ultimately liquidate the Company.

The Company employed an average of 6 employees over the year ended 31 December 2018 (2017: 10).

On 29 March 2017, the United Kingdom (UK) triggered Article 50 to leave the European Union. The UK government is yet to agree the terms and conditions upon which the UK will leave the European Union, consequently the impact of this decision is not yet clear. There is a broad range of possible outcomes resulting from this vote meaning that uncertainty is expected until formal terms are agreed. Market volatility is consequently expected. The impact on the Company of Brexit, outside of the uncertainty of FX fluctuations, is minimal given the directors' intent to liquidate the Company.

On behalf of the board

Andrew Egan
Director
28 August 2019

Directors' report

The financial statements are presented in Euros since the majority of the Company's business has been conducted in this currency. The rate of exchange from Euro to US Dollars used by the Company as at 31 December 2018 was EUR€1 = US$1.1450. The average rate of exchange from Euro to USD Dollars used for the year ended 2018 was EUR€1 = US$1.1816.

Going Concern Basis

The Company's directors have made an assessment of the Company's ability to continue as a going concern. The Company is no longer actively trading, the directors do not intend to undertake any new business in the next 12 months or in the foreseeable future, and the directors intend to ultimately liquidate the Company. Accordingly, the financial statements continue to be prepared on a basis other than going conern.

Financial Risk Management

Following the transfer of the Equity and Credit Derivatives desks to KBC Bank NV London Branch on the 26th May 2017, the residual exposure within the legacy portfolio is deemed to be minimal.

Risks are overseen by an independent risk management function and a risk committee which are in turn overseen by the risk management function, committees and audit functions at KBC Bank NV. The Company's existing business activities and control functions have been integrated with those adopted by the parent company. Further discussion of the Company's exposure to risk and the management thereof is provided in note 18.

Liquidity is managed by a dedicated treasury desk which has access to funding lines from KBC Bank NV.

Dividends

No dividend is proposed or was paid during the year (2017: None).

Registered No: 04826611

Directors' report

Directors

The directors who served during the year and up to the date of this report are:

Filip Gils
Andrew Egan (Appointed 21 May 2018)
Theo Speelmans (Resigned 21 May 2018)

Charitable donations

In the year ended 31 December 2018, the Company made no charitable donations.

Employee involvement

As a Company whose greatest asset is its staff, great emphasis is placed on the involvement of employees. During the year several "town hall" meetings involving all staff have been held to explain current developments within the Company.

Directors' indemnities

The Company has taken out insurance to provide indemnity to its directors against liability in respect of proceedings brought by third parties. The cost of this insurance is borne by the Company. Such qualifying third party indemnity provisions remain in force at the date of approving the directors' report.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries to fellow directors and of the auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the auditors are unaware; and
- Each director has taken all the steps a director ought to have taken to be aware of relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP (PwC) is appointed as auditor for the Company.

On behalf of the board

Andrew Egan

Director

28 August 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued by the Financial Reporting Council. 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 state of affairs of the Company and of the profit and loss of the Company for the period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditors' report to the members of KBC Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, KBC Investments Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: Statement of financial position at 31 December 2018, Statement of comprehensive income for the year ended 31 December 2018, Statement of changes in equity for the year ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible 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 a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nick Morrison

Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 August 2019

Statement of comprehensive income

for the year ended 31 December 2018

	Notes	*Discontinued Operations* *Year ended 31-Dec 2018* *€000*	*Discontinued Operations* *Year ended 31-Dec 2017* *€000*
Net revenue	3	18,108	(182,701)
Administrative expenses		(4,213)	(9,968)
Operating profit/(loss)	4	13,895	(192,669)
Interest receivable and similar income	7	7,348	15,123
Interest payable and similar expenses	8	0	(295)
Profit/(Loss) before taxation		21,243	(177,841)
Tax on profit/(loss)	9	(1,808)	0
Profit/(Loss) for the financial year		19,435	(177,841)
Other comprehensive loss			
FX loss on share capital reduction	21	0	(128,680)
Total comprehensive income/(loss) for the year		19,435	(306,521)
Total comprehensive income/(loss) for the year attributes to:			
Owners of the parent company		19,435	(306,521)
		19,435	(306,521)

The accompanying notes are an integral part of these financial statements. All income/(loss) generated is derived from discontinued operations.

Statement of changes in equity

for the year ended 31 December 2018

	Called Up Share Capital	*Accumulated losses*	*Other Reserves*	*Total shareholders' funds*
	€000	*€000*	*€000*	*€000*
At 1 January 2017	948,194	(721,372)	1,338,916	1,565,738
Loss for the financial year	0	(177,841)	0	(177,841)
FX loss on share capital reduction	0	(128,680)	0	(128,680)
Share capital reduction	(871,902)	0	0	(871,902)
At 31 December 2017	76,292	(1,027,893)	1,338,916	387,315
Total comprehensive income	0	19,435	0	19,435
At 31 December 2018	76,292	(1,008,458)	1,338,916	406,750

The accompanying notes are an integral part of these financial statements.

Statement of financial position

at 31 December 2018

	Notes	2018 €000	2017 €000
Current assets			
Investments: participating interests	10	347	347
Debtors	11	404,141	384,812
Cash at bank and in hand	13	6,919	6,590
		411,407	391,749
Creditors: amounts falling due within one year	12	(4,657)	(4,434)
Net current assets		406,750	387,315
Net assets		406,750	387,315
Capital and reserves			
Called up share capital	14	76,292	76,292
Accumulated losses		(1,008,458)	(1,027,893)
Other reserves		1,338,916	1,338,916
Total shareholders' funds		406,750	387,315

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 28 August 2019 and signed on its behalf by

Andrew Egan
Director
28 August 2019

Notes to the financial statements

As at, and for the year ended 31 December 2018

1. Accounting policies

Statement of Compliance

KBC Investments Limited is a private limited company, incorporated and domiciled in England and Wales.

The Company's financial statements have been prepared in compliance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued by the Financial Reporting Council.

Basis of preparation

When preparing financial statements, the directors of an entity using FRS 102 shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless the directors either intend to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.

The Company's directors have made an assessment and concluded that, consistent with the prior year, the Company is not a going concern as the Company ceased trading, the Company does not intend to undertake any new business in the foreseeable future, and the directors intend to liquidate the Company. The financial statements have been approved by the board and continue to be prepared on a basis other than going concern.

The impact on the financial statements is summarised below:

- All the assets have been reported at the lower of cost and net realisable value. A provision has been made for the cost of liquidating the company. This has not resulted in any material changes to the financial statements in the current or prior year; and
- All non-current assets have been reclassified as current assets in the current and prior year.

The financial statements are prepared in Euros which is the functional currency of the Company and rounded to the nearest €'000.

Basis of consolidation

Having considered the Companies Act 2006 section 400, the Company is a wholly owned subsidiary of KBC Bank NV, a company established under the law of a European Economic Area state, thereby making it exempt from the requirement to prepare group financial statements.

Both KBC Financial Products (Cayman Islands) Limited and KBC Investments Cayman Islands V Limited are 100% held subsidiaries, all profit and loss generated by the entities is transferred to the Company via approved transfer pricing agreements. Therefore, the profit and loss is fully taxable in the United Kingdom. KBC Investments Cayman Islands V Limited was liquidated on 3rd May 2018 and was be dissolved on 1st August 2018.

KBC Diversified Fund is a segregated portfolio of KBC AIM Master Fund spc. This is an offshore feeder fund, incorporated in the Cayman Islands, in which the Company has a 100% holding. The entity was liquidated on 18th December 2018 and was dissolved on 21st March 2019.

Judgement and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the accounting policies management has made the following judgement which has the most significant effect on the amounts recognised in the financial statements:

Notes to the financial statements

As at, and for the year ended 31 December 2018

1. Accounting policies (continued)

Judgement and key sources of estimation uncertainty (continued)

l) Litigation matters. The Company believes it has substantial and credible defences to the action mentioned in note 21. The recognition of a contingent liability requires judgment.

Financial assets and liabilities

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Initial recognition

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value, including any directly

Notes to the financial statements

As at, and for the year ended 31 December 2018

1. Accounting policies (continued)

attributable transaction costs. Subsequently, loans and receivables are measured at amortised cost and are subject to impairment testing. Amortised cost is calculated using the effective interest method. Gains and losses are recognised in the profit and loss account.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Net revenue

Net revenue includes:

(a) Gross income/(expense) on the purchase and sale of marketable securities after commissions paid and direct trading related expenses, including all gains and losses from changes in fair value, recorded on the trade date of the related transaction.

(b) Fee and commission income/(expense) from asset management services and transactions executed on behalf of other group companies or by other group companies on the Company's behalf. Fees earned for the provision of services over a period of time are accrued over that period. Commissions earned for execution of transactions are recognised on trade date.

(c) Foreign currency translation

Assets and liabilities have been translated into the functional currency using the exchange rate at the balance sheet date. Non-monetary items are translated at the date of transition at their historical cost. Income and expenses are translated applying monthly average rates for the period. Resulting exchange differences are recognised in net revenue.

Interest and similar income and expense

Interest income and expense are recognised on an accruals basis, at an effective rate of interest.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Pensions

Defined contribution scheme

The Company operates a defined contribution pension scheme on behalf of its employees and directors. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Investments in subsidiary undertakings

The investments in subsidiary undertaking are valued at the lower of cost and net realisable value.

Notes to the financial statements

As at, and for the year ended 31 December 2018

1. Accounting policies (continued)

Share capital

Repurchase and cancellation of shares

Share capital is recorded at historic cost.

When shares recognised as equity are repurchased, the amount of consideration paid is recognised as a deduction from equity.

The foreign exchange (FX) impact in respect of any such transaction, which arises on account of the fact that the share capital of the Company is denominated in a different currency to the functional currency of the Company, is also recognised directly in equity.

Share–based payment transactions

Phantom stocks

Key Identified Staff (KIS) of the Company receive part of their variable remuneration in the form of Phantom stocks, which are settled in cash.

The cost of Phantom stocks recognised is linked to the value of the share price of KBC Group NV. The total amount of annual Phantom stock is paid over four years, with 50% being paid in the first year and the rest spread equally over the next three years. The average price of the KBC share during the first three months of the year is used to calculate the number of Phantom stocks to which each KIS is entitled. These stocks are then converted into cash a year later on the basis of the average price of the KBC share during the first three months of that year. They are subject to the allocation and acquisition conditions upon which the instruments were granted.

The cost of cash-settled transactions is measured at fair value. This fair value is expensed in 'Staff expenses' over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement in 'Staff expenses'.

Exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has consequently taken advantage of the following exemptions:

- The requirement to present a statement of cash flows and related notes;
- The requirement to report transactions between wholly owned subsidiary undertakings;
- The requirement to report remuneration of key management personnel;
- The requirement to disclose additional information pertaining to share based payments; and
- The requirement to disclose a reconciliation of the number of shares outstanding at the beginning and end of the period within the statement of financial position.

Discontinued operations

The Company recognises as discontinued operations components that have been disposed of which:

- represent a separate major line of business of geographical area of operation;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or
- is a subsidiary which was acquired exclusively for re-sale.

At the point of transfer of the sole remaining business line, the Equity and Credit Derivatives trading desks, to KBC London Branch NV on 26th May 2017, all operations are considered to be discontinued.

When an operation is classified as a discontinued operation, the statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Notes to the financial statements

As at, and for the year ended 31 December 2018

2. Segmental Analysis

The results of the Company originated principally from business conducted from the United Kingdom.

All profit and loss generated is derived from discontinued operations. The net revenue is attributable to the following revenue streams:

	2018	*2017*
	€000	*€000*
Principal transactions	(187)	5,405
FX gains/(losses)	18,296	(188,106)
	18,109	(182,701)

Principal transactions include realised gains and losses in respect of the legacy portfolio. In the comparative year, principal transactions include realised and unrealised gains and losses primarily from Credit and Equity Derivatives trading. Profit is primarily attributable to business generated within the European market, this being where the core markets of the parent company are based. The FX gains/(losses) have arisen primarily as a result of the translation of the Company's non-Euro denominated monetary assets and liabilities into its functional currency.

3. Net revenue

Net revenue can be analysed as follows:

	2018	*2017*
	€000	*€000*
Trading profit	(249)	5,929
FX gains/(losses)	18,296	(188,106)
Commissions receivable/(payable) from group undertakings	62	(524)
	18,109	(182,701)

Net revenue includes net gains/losses on financial assets and liabilities classified as held for trading together with related expenses. The FX gains/(losses) have arisen primarily as a result of the translation of the Company's non-Euro denominated monetary assets and liabilities into its functional currency.

Notes to the financial statements

As at, and for the year ended 31 December 2018

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/crediting:

	Notes	2018 €000	2017 €000
Rental expense for land and buildings and other facilities-related costs		1,494	1,617
Operating foreign exchange(profit)/loss		(33)	(241)
Depreciation and amortisation		0	661
Staff costs	6	1,193	2,622
Auditors' remuneration	5	65	318
Service charges from affiliated companies		1,462	4,750

5. Auditors' remuneration

	2018 €000	2017 €000
Fees paid to the Company's auditors for the audit of the financial statements	65	318

6. Staff costs

	2018 €000	2017 €000
Wages and salaries	827	1,994
Social security costs	133	293
Other pension costs (note 16)	79	126
Other personnel related costs	155	209
	1,193	2,622

Notes to the financial statements

As at, and for the year ended 31 December 2018

6. Staff costs (continued)

The average monthly number of employees was 6 for the year ended 31 December 2018 (2017: 10).

	2018 *Number*	*2017* *Number*
Front Office	1	5
Ancillary Services	5	5
	6	10

Phantom stocks

Key identified staff in the business are granted Phantom stocks which are settled in cash. These will vest over a specified number of years in which employees must remain in service. The fair value of the Phantom stocks is measured at the reporting date using the most recent quarterly average share price, taking into account the terms and conditions upon which the instruments were granted.

Staff costs included directors' remuneration as set out below. Directors' emoluments are partly paid by KBC Bank NV.

(a) Directors' remuneration

The remuneration of the directors for qualifying services was as follows:

	2018 *€'000*	*2017* *€000*
Emoluments	42	71
Cash-settled equity based bonus	7	8
Company contributions to money purchase pension scheme	2	2
Company contributions to defined benefit pension scheme	0	0
	51	81

(b) Directors' pensions

The number of directors who were members of pension schemes during the year was 2 (2017: 5).

(c) Highest paid director

The above amounts for remuneration include the following in respect of the Company's highest paid director:

	2018 *€000*	*2017* *€'000*
Emoluments	20	45
Cash-settled equity based bonus	0	7
Company contributions to defined benefit pension scheme	0	0
	20	52

Notes to the financial statements

As at, and for the year ended 31 December 2018

7. Interest receivable and similar income

Interest income comprises:

	2018	*2017*
	€000	*€000*
Interest receivable on bonds	0	1,364
Interest receivable on deposits	7,348	13,759
	7,348	15,123

8. Interest payable and similar expenses

Interest expense comprises:

	2018	*2017*
	€000	*€000*
Interest payable to group undertakings	0	295

Notes to the financial statements

As at, and for the year ended 31 December 2018

9. Tax on profit/(loss)

(a) Analysis of tax charge in the year

The taxation charge is based on the profit/(loss) for the year:

	2018 €000	2017 €000
UK Corporation tax		
On profit for the year	(1,808)	0
Adjustment in respect of prior periods	0	0
Total current tax charge for the year	(1,808)	0

(b) Factors affecting the tax charge for the year

The tax assessed in the year differs (2017: differs) from the standard rate of corporation tax in the UK. The differences are explained below:

	2018 €000	2017 €000
(Loss)/Profit on ordinary activities before taxation	21,243	(177,841)
Corporation tax charge at standard rate of 19% (2017: 19.25%)	(4,036)	34,234
Effects of:		
Deferred tax not recognised - brought forward tax losses utilised/(added)	2,141	(34,185)
Provisions	87	14
Other sundry adjustments	0	(63)
Total tax credit for the year (note 9(a))	(1,808)	0

Notes to the financial statements

As at, and for the year ended 31 December 2018

9. Tax on profit/(loss) (continued)

(c) Deferred tax assets

No deferred tax asset has been recognised due to uncertainty over its recoverability. The unrecognised deferred tax asset comprises:

	Gross	*2018*
	€000	*€000*
Losses	70,924	12,057
Unpaid bonus	1,347	229
Capital allowances in excess of depreciation	0	0
Total unrecognised DT assets	72,271	12,286

Reductions in the UK corporation tax rate were substantively enacted in October 2015. The UK corporation tax main rate was reduced to 19% from 1 April 2017. The Finance Act 2016 provided for a further reduction to the corporation tax rate to 17% from 1 April 2020. Accordingly, the unrecognised deferred tax in respect of the gross timing differences disclosed above have been calculated at a rate of 17% as this is the enacted rate that timing differences might be expected to unwind at.

10. Investments in subsidiary undertakings

	2018	*2017*
	€000	*€000*
Investments in subsidiary undertakings	347	347

Details of the investments in subsidiary undertakings are as follows:

- A 100% holding in the share capital of KBC Diversified Fund, which is an offshore feeder fund, incorporated in the Cayman Islands, in which KBC Investment Limited holds 2 Ordinary Shares of $1,215 each.The entity was liquidated on 18th December 2018 and dissolved on 21st March 2019.
- A 100% holding in the share capital of KBC Financial Products (Cayman Islands) Limited, incorporated in the Cayman Islands, in which KBC Investments Limited holds 100 Ordinary Shares of $3,723 each.
- KBC Investments Cayman Islands V Limited, incorporated in the Cayman Islands, in which KBC Investments Limited held 10,000 Ordinary Shares of $0.01 each was liquidated on 3rd May 2018 and was dissolved on 1st August 2018.

Notes to the financial statements

As at, and for the year ended 31 December 2018

11. Debtors

	2018	2017
	€000	€000
Financial Assets		
Amounts owed by group undertakings	401,439	383,169
Other debtors	1,958	1,579
	403,397	384,748
Non-Financial Assets		
Prepayments and Accrued Income	0	64
	403,397	384,812

12. Creditors: amounts falling due within one year

	2018	2017
	€000	€000
Financial Liabilities		
Bank loans and overdrafts	0	84
Amounts owed to group undertakings	712	1,107
	712	1,191
Non -Financial Liabilities		
Taxation and social security	1,640	101
Accruals and deferred income	2,306	3,142
	4,658	4,434

Notes to the financial statements

As at, and for the year ended 31 December 2018

13. Financial assets and financial liabilities

Set out below is an analysis of the Company's financial assets and liabilities that are carried in the financial statements.

	Notes	2018 €000	2017 €000
Financial assets			
Loans and Receivables			
Amounts owed by group undertakings	11	401,439	383,169
Other debtors	11	1,958	1,579
		403,397	384,748
Fixed asset investments	10	347	347
Cash at bank and in hand		6,919	6,590
		410,663	391,685
Financial liabilities			
Financial liabilities measured at amortised cost			
Bank loans and overdrafts	12	0	84
Amounts owed to group undertakings	12	712	1,107
		712	1,191

14. Called up share capital

	2018 No.	2018 €	2017 No.	2017 €
Authorised				
Ordinary shares of US$1 each	105,000,000	76,291,506	105,000,000	76,291,506
Ordinary shares of £1	100	120	100	120
Allotted, called up and fully paid				
Ordinary shares of US$1 each	105,000,000	76,291,506	105,000,000	76,291,506
Ordinary shares of £1	100	120	100	120
	105,000,100	76,291,626	105,000,100	76,291,626

Notes to the financial statements

As at, and for the year ended 31 December 2018

15. Provisions

A provision was made in 2017 for the cost of liquidating the Company. The provision is recorded within creditors in the statement of financial position.

	2018	*2017*
	€ 000	*€ 000*
At 1 January	26	0
Arising during the year	0	26
Utilised	0	0
Discount rate adjustment	0	0
At 31 December	26	26

16. Pension Arrangements

Defined contribution scheme

The Company contributes to a defined contribution scheme on behalf of its employees and directors. The pension cost charged for the year was €79k (2017: €126k).

17. Commitments and contingent liabilities

Claw back claim

The Company is a defendant in an action pending before the United States Bankruptcy Court for the Southern District of New York brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC ("BLMIS"). This action, known generally as a "claw-back claim", is similar to those brought by the BLMIS Trustee against numerous other persons, and seeks recovery of amounts allegedly received by the Company from BLMIS or indirectly through "feeder funds" related to BLMIS in which the Company held interests. The amount sought to be recovered in this action approximates $110 million. The Company believes it has substantial and credible defences to this action and is defending itself vigorously.

Other Litigation

The Company is also party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse impact on the financial position of the Company.

18. Financial Risk Management - Objectives and Policies

Introduction

Following the transfer of the Equity and Credit Derivatives desks to KBC Bank NV London Branch on the 26th May 2017, the residual exposure within the legacy portfolio is deemed to be minimal.

Remaining risk is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is important to the Company and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and interest rate risk. It is also subject to operating risks.

This section presents information about the Company's exposure to and its management and control of risk.

Notes to the financial statements

As at, and for the year ended 31 December 2018

18. Financial Risk Management – Objectives and Policies (continued)

Risk management structure

The Company's risk exposures are managed and controlled centrally by the Risk Management function which is an integral part of the Group Risk function (Risk Markets division) of the parent company KBC Bank NV.

Measurement and Reporting Systems

The Company uses risk management systems and policies that operate at the group level. Risks are measured using a method which reflects both the expected profits and losses likely to arise in normal circumstances and unexpected profits and losses, which are an estimate of the ultimate actual performance based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Stress scenarios also monitor exposures that would arise in the event of extreme market movements.

Risk limits are used for monitoring and controlling exposures and are set both at the Company level These limits reflect the business strategy and market environment of the group and the level of risk that is acceptable to the Company.

The risk management function of the Company's business lines is fully integrated with its parent company KBC Bank NV.

Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Limits are set in order to avoid risk concentrations. Credit concentration across the group is managed centrally at KBC Bank NV.

Credit Risk

Credit risk is the risk of non-payment arising from the counterparty's insolvency or lack of willingness to pay or perform ("counterparty"), or by events or measures taken by the political or monetary authorities of a particular country ("country risk").

The Risk Committee (GMC) and Risk Management administer and oversee credit risk exposure, subject to oversight from the KBC Bank NV's Credit Risk Management Department and Committees.

The Company quantifies and monitors its sole, main type of credit risk, being Counterparty Risk. All counterparty credit exposures arising from the Company's business activities are captured within counterparty risk limits.

Lines that have not been used for longer than a year can be removed and only be re-established following a successful new credit application.

The Company seeks, wherever possible, to enter into ISDA Master and CSA agreements with OTC derivative counterparties. The agreements serve to mitigate the Company's exposure to credit loss.

The Company's maximum exposure to credit risk at the balance sheet date is disclosed below based on the carrying amount of the financial assets the Company believes are subject to credit risk. Prior to the transfer of the Equity and Credit Derivative Desks to KBC Bank NV London Branch cash collateral was received from counterparties on financial assets designated at fair value through profit and loss. The exercise of collateral would have lead to a significant reduction in the potential loss in the value of the corresponding financial asset in the event of a counterparty or issuer failing to perform its contractual commitment.

Notes to the financial statements

As at, and for the year ended 31 December 2018

18. Financial Risk Management – Objectives and Policies (continued)

	Maximum Exposure to Credit Risk 2018 €000	Maximum Exposure to Credit Risk 2017 €000
Amounts due from group undertakings	401,439	383,169
Other debtors	1,958	1,579
Cash at bank and in hand	6,919	6,590
	410,316	391,337

The credit quality of financial assets which are subject to credit risk, that are neither part due nor impaired, is summarised below. The credit ratings are determined by the Company's internally determined pubic rating agency equivalents. The unrated balance represents the pool of counterparties which individually do not generate material credit risk for the Company.

Credit Rating	Maximum Exposure to Credit Risk 2018 €000	Maximum Exposure to Credit Risk 2017 €000
AAA	0	0
AA+	0	0
AA-	1,296	5,400
A+	403,566	0
A	3,481	384,328
A-	0	0
BBB+	0	0
BBB	0	0
B-	3	30
D	0	0
Not rated	1,970	1,579
	410,316	391,337

Credit Concentration

Other than counterparty risk and exposures to KBC group companies, there are no significant credit concentrations in the Company, as counterparty credit risk concentrations have been dealt with by risk mitigation and provisioning.

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an on-going basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments. The Company operates under liquidity limits set by KBC Bank NV and within these limits it relies on KBC Bank NV for funding and liquidity.

Notes to the financial statements

As at, and for the year ended 31 December 2018

18. Financial Risk Management – Objectives and Policies (continued)

The table below shows the Company's financial liabilities by contractual maturity remaining. Derivative contracts and other financial instruments are presented at their fair values. These fair values are not significantly different to the undiscounted cash flow values. All other amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities.

	On Demand	Less than 1 Year	1-5 Years	Later than 5 Years	Total
	2018	2018	2018	2018	2018
	€000	€000	€000	€000	€000
Financial liabilities measured at amortised cost					
Bank overdraft	0	0	0	0	0
Amounts owed to group undertakings	712	0	0	0	712
Total exposure to liquidity risk	712	0	0	0	712

	On Demand	Less than 1 Year	1-5 Years	Later than 5 Years	Total
	2017	2017	2017	2017	2017
	€000	€000	€000	€000	€000
Financial liabilities measured at amortised cost					
Bank overdraft	84	0	0	0	84
Amounts owed to group undertakings	590	517	0	0	1,107
Total exposure to liquidity risk	674	517	0	0	1,191

Interest rate risk is the risk that the value of a financial instrument and future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to minimal interest rate risk given the main interest bearing item is a deposit.

Market Risk

Trading

Market risk is the risk of loss arising from the impact of market changes on the market value of a portfolio. The Company based its management of market risk on the limits and sub-limits defined by the GMC and KBC Bank NV Executive Committee. The Company is no longer actively trading and there is no intention to undertake any new business.

The Company previously used a historic Value at Risk methodology ("hVaR") combined with a rigorous stress testing program for measuring market risk.

Objectives and limitations of the hVaR methodology

The Historical Value-At-Risk approach uses the actual historical market performance to simulate possible future market evolutions. Past moves in market parameters are transformed into scenarios that are applied to

Notes to the financial statements

As at, and for the year ended 31 December 2018

18. Financial Risk Management – Objectives and Policies (continued)

the current market situation and a given portfolio. Corresponding portfolio values are computed and compared with the current portfolio value. The difference between the two (scenario value minus current value) is known as the scenario PnL (profit and loss). The 99th percentile of these scenario PnLs corresponds to the hVaR figure.

The use of hVaR has limitations because it is based on historical data and assumes that future market movements will not deviate from the historical used time series. Even though positions may change throughout the day, the hVaR does not aim to forecast losses due to intraday trading. It represents the risk of the portfolios at the close of each business day and it – albeit in line with regulatory requirements – does not account for the distribution of losses that may occur beyond the 99% confidence level. This will be partly mitigated by the use of Expected Shortfall in the future (FRTB regulation). For details on the methodological choices we refer to the master document on Value-At-Risk modelling, available upon request to Risk Markets.

The table below illustrates, by major risk category, the hVaR during the period 1 January 2017 to 26 May 2017, the date of the transfer of the Equity Desk to KBC Bank NV London Branch. It shows the highest, lowest and average hVaR during the period 1 January 2017 to 26 May 2017, there is no hVaR subsequent to the transfer.

	Average 2018 *€000*	*Min* 2018 *€000*	*Max* 2018 *€000*	*Average* 2017 *€000*	*Min* 2017 *€000*	*Max* 2017 *€000*
FX	0	0	0	310	206	398
Equity Price	0	0	0	581	421	689
Equity Volatility	0	0	0	5	-118	107
Interest Rates	0	0	0	119	72	193
Diversification	0			-99		
	0			916		

As might be expected for an Equity Derivatives operation, the drivers of the hVaR are mainly the equity and equity volatility component. The interest rate component is due to the effect of interest rates on the various expiry dates of the derivatives held by the Equity Derivatives business. The FX component consists of the unhedged FX exposure due to the currency of the underlying.

Currency Risk

Foreign exchange positions are taken to hedge the foreign exchange risk inherent in daily trading activities.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. Equity Price risk was monitored through delta and gamma exposure limits.Prior to the transfer of the Equity Derivatives Desk to KBC Bank NV London Branch, equity price risk was included in the internal model as one of the risk drivers.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Operational risk issues are overseen by the Operations Control Committees.

Notes to the financial statements

As at, and for the year ended 31 December 2018

19. Ultimate parent company

The Company is a subsidiary of KBC Bank NV, a company incorporated in Belgium, and is the smallest group for which consolidated financial statements are prepared.

The Company's ultimate parent undertaking and controlling entity is KBC Group NV, a company incorporated in Belgium. The largest group in which the results of the Company and its subsidiary undertakings are consolidated at 31 December 2018 is that headed by KBC Group NV. The consolidated financial statements available for the public will be those for KBC Group NV, which may be obtained from KBC Group NV, Havenlaan 2, 1080 Brussels, Belgium.

20. Total Shareholders' funds

The composition of total shareholders' funds is as follows:

Called-up share capital – represents the nominal value of shares that have been issued.

Accumulated losses – includes all current and prior year retained profit and loss.

Other reserves – as part of the commitment by the immediate parent company to provide sufficient funds to the Company to enable the Company to meet its liabilities as and when they fall due, the parent company granted a debt waiver to the Company in 2010.

21. Capital Management

The Company manages capital comprising shareholders' funds.

Sufficient levels of capital are maintained to support the Company's business and to withstand losses due to extreme market conditions.

The FX loss recognised is a consequence of the change in functional currency made by the Company at the point of transition to FRS 102.

The Company remains sufficiently capitalised, taking into consideration its balance sheet size and the economic risk inherent in its business.