

**KraneShares ETC Plc**

**Director's report and audited financial statements**

**For the financial period from 25 March 2024 to 31 December 2024**

**Registered number: 760531**

## **KraneShares ETC Plc**

<b>Contents</b>	<b>Page(s)</b>
Directors' and other information	2
Directors' report	4
Directors' responsibilities statement	10
Independent auditor's report	11
Statement of comprehensive income	19
Statement of financial position	20
Statement of changes in equity	21
Statement of cash flows	22
Notes to the financial statements	23

## **KraneShares ETC Plc**

### **Directors and other information**

Directors	Jonathan Krane (American) (Appointed on 14 August 2024) Benjamin Murahwi (Irish) (Appointed on 25 March 2024) Caroline Jones (Irish) (Appointed on 19 August 2024, resigned on 01 October 2024, appointed 29 April 2025) Matthew Tracey (Irish) (Appointed on 25 March 2024)
Registered Office	4 <sup>th</sup> Floor 35 Shelbourne Road Ballsbridge Dublin 4 Ireland
Company Secretary and Corporate Service Provider	Waystone Centralised Services (IE) Limited* Unit 10 & 11 Cahir Road Cashel Co. Tipperary Ireland
Administrator	SEI Global Services, Inc 1 Freedom Valley Drive Oaks PA 19456 United States
Arranger & Investment Advisor	Krane Funds Advisors, LLC 280 Park Ave 32nd Floor New York, NY 10017 United States

\*Waystone Corporate Services (IE) Limited has merged with Waystone Centralised Services (IE) Limited effective from 1st March 2025.

## **KraneShares ETC Plc**

### **Directors and other information (continued)**

Trustee & Security Trustee	Waystone Centralised Services (IE) Limited* Unit 10 & 11 Cahir Road Cashel Co. Tipperary Ireland
Custodian & Banker	Brown Brothers Harriman & Co. 140 Broadway New York New York 10005-1101 United States
Account Bank & Principal Paying Agent	Citibank N.A., London Branch Canada Square London United Kingdom
Solicitor	Matheson 70 Sir John Rogerson's Quay Dublin 2 Ireland
Independent Auditor	Grant Thornton Chartered Accountants and Statutory Audit Firm 13-18 City Quay Dublin 2 Ireland
Broker	StoneX Financial Inc. 230 S. LaSalle Street Suite 10-500 Chicago Illinois 60604 United States

\*Waystone Corporate Services (IE) Limited has merged with Waystone Centralised Services (IE) Limited effective from 1st March 2025.



## **KraneShares ETC Plc**

### **Directors' report**

The Board of Directors (the "Directors") present their annual report and the audited financial statements of Kraneshares ETC Plc (the "Company") for the financial period ended 31 December 2024. The Company falls within the Irish regime for the taxation of qualifying companies as set out in Section 110 of the Taxes Consolidation Act 1997 (as amended).

### **Principal activities**

The Company is a public limited liability company, incorporated on 25 March 2024 in Ireland under the Companies Act 2014 (the "Act"). The Company has been established for the purpose of issuing KraneShares ETC Securities (the "ETC securities" or "debt at fair value through profit and loss"). The return on each Series of ETC securities is linked to the performance of specified reference indices comprised of one or more futures contracts in respect of major global carbon allowances.

The ETC securities will be issued under the KraneShares ETC Securities Programme of the Company (the "Programme"). ETC securities are designed to track the price of one or more futures contracts in respect of major global carbon allowances, and to provide investors with a similar return that the investor would have gained through investing directly in the underlying types of Carbon Allowance referenced by the Reference Index (less applicable fees). The aggregate number of ETC securities that will be issued under the Programme will not at any time exceed USD 50,000,000,000, this being the Programme maximum number of ETC securities.

The Authorized Participants, in respect of each Series, are such entities which, from time to time, are party to an authorized participant agreement with the Company. The Authorised Participants are the only entities permitted to buy ETC securities directly from the Company or to request that the Company buy back ETC securities. Authorised Participants may, but do not have to, act as market makers for the ETC securities by buying and selling ETC securities to and from investors either on exchanges or in over-the-counter transactions.

The ETC securities will be backed by Futures contracts, cash and other assets held with a broker or in a segregated custody account of the Company with the Custodian.

### **Business review and key performance indicators**

The Company is a Special Purpose Vehicle (the "SPV") whose sole business is the issue of asset-backed securities. The Company has established a Programme for the issue of Securities whose return is linked to the performance of carbon future contracts.

#### **Financial period from 25 Mar to 31 Dec 2024 USD**

(a) Net gain on financial assets at FVTPL	616,154
(b) Net loss on debt at FVTPL	(315,426)
(c) Net loss on financial liabilities at FVTPL	(263,720)
(d) Financial assets at FVTPL	293,438
(e) Financial liabilities at FVTPL	(263,720)
(f) Debt at FVTPL	(11,940,426)

Under this Programme, the noteholders (the "Noteholders") were seeking and obtained exposure to performance of the Carbon Allowance Linked Securities listed on Deutsche Börse and Borsa Italiana. The KraneShares Global Carbon Strategy ETC is intended to track the level of its reference index, the S&P Global Carbon Credit Index, which offers broad coverage of cap and-trade carbon allowances by tracking the most traded carbon credit futures contracts. The index covers the major European and North American cap-and-trade programs: European Union Allowances (EUA), California Carbon Allowances (CCA), United Kingdom Allowances (UKA), Washington State Carbon Allowances (WCA), and the Regional Greenhouse Gas Initiative (RGGI), which covers the Northeast US Power Market. For the financial period end 31 December 2024, the performance of the Carbon-Linked securities indicated a 2.72% growth in comparison to the issue date 02 October 2024. The fair value of the ETC Securities issued by the Company is determined by reference to the fair value associated with future contracts designated at fair value through profit or loss. Refer to note 11 and note 13 for the fair value of the future contracts as at 31 December 2024.

## KraneShares ETC Plc

### Directors' report (continued)

#### Significant events during the financial period

The significant events that occurred during the financial period are those disclosed in this report. On 2 October 2024 Company issued KraneShares Global Carbon Strategy ETC Securities (ISIN: XS2879867773)

As at 31 December 2024, securities were listed in following exchanges:

	Exchange	Ticker	Currency	Listing Date	SEDOL	ISIN
1	Deutsche Börse	KRBN GY	EUR	03-Oct-24	BSRH0H6	XS2879867773
2	Borsa Italiana	KRBN IM	EUR	03-Oct-24	BSTJGN8	XS2879867773

#### Subsequent events

The Company listed KraneShares Global Carbon Strategy ETC Securities in London stock exchange on 15 January 2025.

	Exchange	Ticker	Currency	Listing Date	SEDOL	ISIN
3	London Stock Exchange	KRBN LN	USD	16-Jan-25	BSRH0B0	XS2879867773
4	London Stock Exchange	KRBP LN	GBP	16-Jan-25	BR4Y040	XS2879867773

Waystone Corporate Services (IE) Limited has merged with Waystone Centralised Services (IE) Limited effective from 1st March 2025.

On 29 April 2025, Caroline Jones was appointed as an Alternate Director.

There have been no other significant events after the financial period end up to the date of signing of these financial statements that require disclosure and/or adjustment to the financial statements.

#### Future developments

The plan for the foreseeable future is to continue with the issuance of ETC securities under the Programme mentioned above which may include listings on other stock exchanges.

#### Going concern

The Directors have assessed the ability of the Company to continue in operational existence for foreseeable future from the date of approval of the financial statements ('the period of assessment') and have concluded that it is appropriate to prepare the financial statements on a going concern basis.

The nature of the Company's business dictates that the outstanding ETC securities may be redeemed at any time by any authorised participant who has entered into an authorised participant agreement with the Company. As the redemption of ETC securities will coincide with the sale of an equal amount of the Futures Contract, no liquidity risk is considered to arise. The Company has entered into its primary service contracts with service providers on a non-recourse basis and these costs are being met by Krane Funds Advisors, LLC. Therefore, the Directors are confident that the Company will have the ability to continue to pay its operating costs and any redemptions that may arise within the period of assessment.

Based on the above, the Directors have concluded that the Company has no material uncertainties which would cast a significant doubt on the Company's ability to continue as a going concern over the period of assessment.

#### Results and dividends for the financial period

The results for the financial period and the Company's financial position at the end of the financial period are set out on page 19 and 20 respectively. Profit for the financial period before taxation amounted to \$500. The tax on ordinary activities for the financial year is \$125. No dividends are recommended by the Directors for the financial period under review.

## **KraneShares ETC Plc**

### **Directors' report (continued)**

#### **Directors, Company Secretary and their interests**

In accordance with the requirements of Section 329 of the Companies Act 2014, the Directors and Company Secretary have confirmed that they had no beneficial interests in the shares, debentures, or other securities of the Company during the financial period. Waystone Centralised Services (IE) Limited provides Corporate Services to the Company and the Company has no employees. The Corporate service provider received fees during the financial period which includes Directors' fees of USD 1,000 on an annual basis. Benjamin Murahwi (appointed 25 March 2024), Matthew Tracey (appointed 25 March 2024) and Caroline Jones (appointed 19 August 2024, resigned 01 October 2024, appointed 29 April 2025) are employees of Waystone Centralised Services (IE) Limited and are Company Directors during the financial period. Jonathan Krane was appointed on 14 August 2024. Further information is set out in note 21 to the financial statements. Jonathan Krane is an indirect owner of the Arranger and Investment Advisor. The Arranger received fees included in the administrative expenses during the financial period which includes an allocation of Directors' fees of USD 1,000 on an annual basis.

#### **Shares and shareholders**

The authorized share capital of the Company is USD 1,000,000 and issued share capital is USD 25,000. The shares are held by Waystone Centralised Services (IE) Limited (the "Share Trustee") under the terms of a declaration of trust (the "Declaration of Trust") under which the Share Trustee hold the benefit of the shares on trust for charitable purposes. The Share Trustee has no beneficial interest in and derives no benefit from its holding of the shares. There are no other rights that pertain to the shares and the shareholders.

The shareholder's rights and the operations of the shareholders meetings are defined in the Company's Constitution and complies with the Companies Act 2014.

#### **Principal risk and uncertainties**

The operations of the Company are subject to various risks. Information about the financial risk management objectives and policies of the Company, along with exposure of the Company to credit risk, operational risk, market risk, and liquidity risk, are disclosed in note 22 to the financial statements.

As a public limited company, the Company may be subject to the Irish implementation of the Central Securities Depositories Regulation (CSDR). However, following recent industry discussions within the Irish Debt Securities Association (IDSA), and in light of the omnibus proposals package announced by the European Commission, it is anticipated that the Company may ultimately be brought out of scope of CSDR. The Company continues to monitor these developments and will assess the regulatory impact accordingly.

The Directors will continue to monitor and respond to any potential imposition of tariffs, including associated retaliatory tariffs, that may be introduced by the US government. Such tariffs could have an adverse impact on the market for Carbon Futures, potentially affecting pricing dynamics, market liquidity, and trading volumes.

Market conditions, interest rates, and economic, regulatory, or financial developments could significantly affect a single industry or a group of related industries, and the securities of companies in that industry or group of industries could react similarly to these or other developments. Depending on the composition of Company's Underlying Index, the Company may be subject to principal risks, as outlined in prospectus.

#### **Political donations**

The Electoral Act, 1997 requires companies to disclose all political donations over EUR 200 in aggregate made during a financial period. The Directors, on enquiry, have satisfied themselves that no such donations more than this amount have been made by the Company during the financial period ended 31 December 2024.

## **KraneShares ETC Plc**

### **Directors' report (continued)**

#### **Accounting records**

The Corporate Services Provider is responsible for keeping adequate accounting records, as outlined in Section 281 to 285 of the Companies Act 2014, that are sufficient to:

- correctly record and explain 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 the Directors to ensure that the financial statements comply with the Companies Act and enable those financial statements to be audited.

In this regard Waystone Centralised Services (IE) Limited being the Corporate Services Provider of the Company have been appointed for the purpose of maintaining adequate accounting records. Accordingly, the accounting records are kept at the Company's registered address of 4<sup>th</sup> Floor, 35 Shelbourne Road, Ballsbridge, Dublin 4, Ireland with effect from 25 March 2024.

#### **Research and development costs**

The Company did not incur any research and development costs during the financial period.

#### **Audit committee**

In accordance with Section 1551(11)(c) of the Companies Act 2014, if the sole business of the Public Interest Entity (PIE) Irish SPV relates to the issuing of asset backed securities, the PIE SPV is exempt from the requirement to establish an audit committee.

Given the contractual obligations of the Administrator, Corporate Service Provider and the limited recourse nature of the securities the Company may participate in, the Directors has concluded that there is currently no need for the Company to have a separate audit committee for the Directors to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. Accordingly, the Company has availed itself of the exemption under Section 1551 of the Companies Act 2014.

#### **Corporate governance statement**

##### *Introduction*

For the financial period of 25 March 2024 to 31 December 2024, the Company had been following the listing rules of the Deutsche Börse and Borsa Italiana. For the financial period ended 31 December 2024, the Company had been following the Companies Act 2014. 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 Directors are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors have established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator to perform certain administrative functions for the Company in relation the ETC securities, including, among other things, assisting in the making of certain non-discretionary determinations and calculations in accordance with the Terms and Conditions of the ETC securities, including, without limitation, the determination and publication of the Carbon Entitlement, the Cash Value per ETC Security and the Total Expense Ratio on a daily basis and the Corporate Services Provider to maintain the accounting records of the Company. Waystone Centralised Services (IE) Limited are contractually obliged to maintain proper books and records as required by the Corporate Services agreement. Waystone Centralised Services (IE) Limited is also obliged to prepare, for review and approval by the Directors, the annual report including financial statements intended to give a true and fair view.

## **KraneShares ETC Plc**

### **Directors' report (continued)**

#### **Corporate governance statement (continued)**

##### *Financial Reporting Process (continued)*

The Directors evaluate and discuss significant accounting and reporting issues as the need arises. From time to time the Board of Directors may examine and evaluate the Administrator and Corporate Services Provider financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications, and independence. The Corporate Services Provider has operating responsibility for internal control in relation to the financial reporting process and reports to the Directors.

##### *Risk Assessment*

The Directors are responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Directors have 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. More specifically:

- The Corporate Services provider has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected;
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Corporate Services provider;
- Accounting bulletins, issued by the Corporate Services provider, are distributed to all accountants employed by the Corporate Services provider; and
- The Company's financial statements are prepared by the accountants employed by the Corporate Services provider, Waystone Centralised Services (Ireland) Limited.

##### *Control Activities*

The Corporate Service Provider are contractually obliged to design and maintain control structures to manage the risks which the Board of Directors 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 Directors have a quarterly process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditor.

Given the contractual obligations on the Administrator and Corporate Services provider, the Directors have concluded that there is currently no need for the Company to have a separate internal audit function for the Directors to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

##### *Capital Structure*

The sole shareholder in the Company is Waystone Centralised Services (IE) Limited holding 25,000 shares. No person has any special rights of control over the Company's share capital. With regard to the appointment and replacement of Directors, the Company is governed by the Constitution, Irish Statute comprising the Companies Act 2014. The Constitution may be amended by special resolution of the shareholders.

##### *Powers of directors*

The Directors are responsible for managing the business affairs of the Company in accordance with the Constitution. The Directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the Directors. The Directors have delegated the day-to-day administration of the Company to the Administrator.

## KraneShares ETC Plc

### Directors' report (continued)

#### Corporate governance statement (continued)

##### *Diversity report*

The Company has not adopted a formal diversity policy in relation to its Board of Directors. Under S.I. No. 360/2017 – European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, only certain large undertakings that exceed specific size thresholds are required to disclose such a policy. As the Company does not meet these thresholds, it is not subject to the mandatory diversity disclosure requirements under these Regulations.

##### **Independent auditor**

Grant Thornton, Chartered Accountants and Statutory Audit Firm were appointed on 17 February 2025 and have expressed their willingness to continue in office in accordance with Section 382(1) of the Companies Act 2014.

##### **Relevant audit information**

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware.

##### **Directors' compliance statement**

The Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations and have, complied with its relevant obligations as defined in Section 225 of the Companies Act 2014;

Pursuant to Section 225(2)(b) of the Act, the Directors confirm that:

- there is an adequate structure in place, that is designed to secure material compliance with the Company's relevant obligations; and
- relevant arrangements and structures have been put in place that provide a reasonable assurance of compliance in all material respects by the Company with its relevant obligations, which arrangements and structures may, if the Directors so decide, include reliance on the advice of one or more than one person employed by the Company or retained by it under a contract for services, being a person who appears to the Directors to have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

##### **Responsibility statement**

Each Director whose names and functions appear on page 2 confirm to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS Accounting Standards as adopted by European Union ('IFRS') as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the presented Directors' report provides 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 that it faces.

This statement is made in accordance with the Transparency (Directive 2004/109/EC) Regulations, 2007.

#### **On behalf of the Board**



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Benjamin Murahwi  
Director

Date: 30 April 2025



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Caroline Jones  
Director

30 April 2025

## KraneShares ETC Plc

### Directors' responsibilities statement

The Directors are responsible for preparing the Directors' report and the audited financial statements, in accordance with the applicable laws and regulations.

Irish Company law requires the Directors to prepare financial statements giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with IFRS Accounting Standards as adopted by European Union ('IFRS').

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 period and of the profit or loss of the company for the financial period, and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the Company or cease operations or have no realistic alternative but to do so.

The Directors are responsible for ensuring that the Company maintains adequate accounting records for the purpose of providing a true explanation of the transactions of the company, facilitating a reasonably accurate analysis of the financial statements, and ensuring compliance with the Companies Act 2014, and that the statements are in a position to be audited. The Directors also have the additional responsibility of safeguarding the assets of the company and adopting a duty of care by taking appropriate steps in preventing and detecting fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

### On behalf of the Board



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Benjamin Murahwi  
Director

Date: 30 April 2025



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Caroline Jones  
Director

30 April 2025

## Independent auditor's report To the members of KraneShares ETC Plc

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of KraneShares ETC Plc (or the "Company"), which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and Statement of cash flows for the financial period ended 31 December 2024, and the related notes to the financial statements, including the material accounting policy information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law, including the Commission Delegated Regulation 2018/815 regarding the single electronic reporting format (or "ESEF") and IFRS Accounting Standards as adopted by the European Union (or "IFRS").

In our opinion, the Company's financial statements:

- give a true and fair view in accordance with IFRS of the assets, liabilities and financial position of the Company as at 31 December 2024 and of its financial performance and cash flows for the financial period then ended; 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 Standards on Auditing (Ireland) (or "ISAs (Ireland)") and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority (or "IAASA"), and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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

In auditing the financial statements, we have concluded that the Directors' use of going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue as a going concern basis of accounting included:

- Obtaining and reviewing the Directors' formal assessment of going concern;
- Discussing the use of going concern basis of accounting with the Directors and challenging their conclusion by reviewing post period end performance and latest available management accounts;
- Reviewing subsequent events that may warrant a significant uncertainty regarding the going concern assumption;
- Making enquiries with Directors and reviewing the board minutes in order to understand the future plans and to identify potential contradictory information; and
- Assessing the adequacy of the disclosures with respect to the going concern assumption.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.



## Independent auditor's report (continued)

### To the members of KraneShares ETC Plc

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and the directing of 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 therefore we do not provide a separate opinion on these matters.

#### *Overall audit strategy*

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at the valuation of financial assets and liabilities at fair value through profit and loss and the selection of pricing sources to value financial assets and liabilities at fair value through profit and loss. We also addressed the risk of management override of internal controls, including evaluating whether there was any evidence of potential bias that could result in a risk of material misstatement due to fraud.

Based on our considerations as set out below, our areas of focus included:

- Valuation (accuracy, valuation and allocation) of financial assets at fair value through profit and loss; and
- Valuation (accuracy, valuation and allocation) of financial liabilities at fair value through profit and loss

#### *How we tailored the audit scope*

The Company is a public limited liability company and qualifies for the regime contained in Section 110 of the Irish Taxes Consolidation Act, 1997. The Company has issued listed debt securities on Borsa Italiana (Italian Stock Exchange) and Deutsche Börse (Frankfurt Stock Exchange). The Directors control the affairs of the Company and they are responsible for the overall investment policy, which they determined. The Company delegated the day-to-day administration of the Company to the Administrator. The Company engages the Corporate Service Provider to manage certain duties and responsibilities including the maintenance of the accounting records. The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Corporate Service Provider.

We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of third party service providers, the accounting processes and controls, and the industry in which the Company operates.

In establishing the overall approach to our audit we assessed the risk of material misstatement at a Company level, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Administrator and Corporate Service Provider and we assessed the control environment in place at the Administrator and Corporate Service Provider.

#### *Materiality and audit approach*

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, such as our understanding of the Company and its environment, the complexity of the Company and the reliability of the control environment, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

## Independent auditor's report (continued)

### To the members of KraneShares ETC Plc

#### Key audit matters (continued)

##### *Materiality and audit approach (continued)*

Based on our professional judgement, we determined materiality for the Company as follows: 1% of Total Assets at 31 December 2024. We considered Total Assets to be the most appropriate benchmark on which to base our materiality, based on the principal activities of the Company and significance of the asset they hold.

We have set performance materiality for the Company at 60% of materiality, having considered the business risks and fraud risks associated with the Company and it's the control environment. This is to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

We agreed with the Directors that we would report to them misstatements identified during our audit above 5% of materiality, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

##### *Significant matters identified*

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are set out below as significant matters together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Significant matter	Description of Significant Matter and Audit Response
Valuation ( <i>accuracy, valuation and allocation</i> ) of financial assets at fair value through profit and loss (Note 3(a), 11 and 22)	<p>There is a risk that the financial assets at fair value through profit and loss held by the Company and included in the Statement of Financial Position as at 31 December 2024 are not valued at fair value in line with IFRS 9 Financial Instruments.</p> <p>Significant auditor's attention was deemed appropriate because of the materiality of the financial assets at fair value through profit and loss. In addition, the valuation of the Company's financial assets at fair value through profit and loss is a key contributor to the financial performance of the Company. As a result, we considered this as a key audit matter.</p> <p>The following audit work has been performed to address the risks:</p> <ul style="list-style-type: none"> <li>obtained and reviewed the Administrator's SOC 1 type 2 report and its bridging letter for the gap period, and assessed the design, implementation and operating effectiveness of the relevant controls throughout the financial period;</li> <li>re-performed the assigned valuation of each instrument using independent third party pricing sources;</li> <li>completed a reconciliation of the independent prices obtained to the prices as per the accounting records; and</li> <li>reviewed the adequacy of disclosures in the financial statements in accordance with IFRS.</li> </ul> <p>Our planned audit procedures were completed without material exception.</p>

Independent auditor's report (continued)  
To the members of KraneShares ETC Plc

Key audit matters (continued)

Significant matters identified (continued)

Significant matter	Description of Significant Matter and Audit Response
Valuation ( <i>accuracy, valuation and allocation</i> ) of financial liabilities at fair value through profit and loss (Note 3(a), 13 and 22)	<p>There is a risk that the financial liabilities at fair value through profit and loss held by the Company and included in the Statement of Financial Position as at 31 December 2024 are not valued at fair value in line with IFRS 9 Financial Instruments.</p> <p>Significant auditor's attention was deemed appropriate because of the materiality of the financial liabilities at fair value through profit and loss. In addition, the valuation of the Company's financial liabilities is a key contributor to the financial performance of the Company. As a result, we considered this as a key audit matter.</p> <p>The following audit work has been performed to address the risks:</p> <ul style="list-style-type: none"> <li>• obtained and reviewed the Administrator's SOC 1 type 2 report and its bridging letter for the gap period, and assessed the design, implementation and operating effectiveness of the relevant controls throughout the financial period;</li> <li>• re-performed the assigned valuation of each instrument using independent third party pricing sources;</li> <li>• completed a reconciliation of the independent prices obtained to the prices as per the accounting records; and</li> <li>• reviewed the adequacy of disclosures in the financial statements in accordance with IFRS.</li> </ul> <p>Our planned audit procedures were completed without material exception.</p>

Other information

Other information comprises information included in the annual report, other than the financial statements and the auditor's report thereon, including the Directors' Report. The Directors are responsible for the other information. 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 in the financial statements, 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.

## Independent auditor's report (continued) To the members of KraneShares ETC Plc

### Matters on which we are required to report by 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.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements. Based solely on the work undertaken in the course of our audit, in our opinion, the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014, excluding the requirements on sustainability reporting in Part 28.

### Matters on which we are required to report by exception

Based on our 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.

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of the Act have not been made. We have no exceptions to report arising from this responsibility.

### Corporate governance statement

In our opinion, based on the work undertaken in the course of our audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process, specified for our consideration and included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2)(c) of the Companies Act 2014.

Based on our knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.

### Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS, and for such internal control as they determine 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Independent auditor's report (continued) To the members of KraneShares ETC Plc

### *Responsibilities of the auditor for the audit of the financial statements*

The objectives of an auditor 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.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). This description forms part of our auditor's report.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (Ireland). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with Transparency (Directive 2004/109/EC) Regulations, 2007, Borsa Italiana (Italian Stock Exchange), and Deutsche Börse (Frankfurt Stock Exchange) Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as Irish tax legislation, the Companies Act 2014, and the reporting requirements of the ESEF.

The audit engagement partner considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

Independent auditor's report (continued)  
To the members of KraneShares ETC Plc

*Responsibilities of the auditor for the audit of the financial statements (continued)*

*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)*

In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of Directors on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Company's regulatory and legal correspondence and review of minutes of Director's meetings during the year to corroborate enquiries made;
- gaining an understanding of the Company's current activities, the scope of authorisation and the effectiveness of its control environment to mitigate risks related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- review of the financial statement disclosures to underlying supporting documentation and inquiries of Directors.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

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

This 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.

Independent auditor's report (continued)  
To the members of KraneShares ETC Plc

[Report on other legal and regulatory requirements](#)

We were appointed by the Board of Directors on 8 August 2024 to audit the financial statements for the financial period ended 31 December 2024. This is the first year we have been engaged to audit the financial statements of the Company. We have not provided non-audit services prohibited by the IAASA's Ethical Standard and have remained independent of the entity in conducting the audit.

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



John Glennon  
For and on behalf of

**Grant Thornton**  
Chartered Accountants & Statutory Audit Firm  
13-18 City Quay,  
Dublin 2  
Ireland

Date: 30 April 2025

## KraneShares ETC Plc

### Statement of comprehensive income

For the financial period from 25 March 2024 to 31 December 2024

		Financial period from 25-Mar to 31-Dec-24 USD
	Note	
<b>Investment income</b>		
Net gain on financial assets at fair value through profit or loss	4	616,154
Net loss on financial liabilities at fair value through profit and loss	7,13	(263,720)
Net loss on debt at fair value through profit and loss	6,12	(315,426)
Total investment gain		<u>37,008</u>
Interest and similar income	5	26,763
Administrative expenses	8	(22,487)
Net loss on foreign exchange translation	9	(40,784)
<b>Profit for the financial period before taxation</b>		<u><b>500</b></u>
Tax on ordinary activities	10	<u>(125)</u>
<b>Total comprehensive income for the financial period</b>		<u><u><b>375</b></u></u>

All of the items dealt with in arriving at the income for the financial period are from continuing operations, no income is recognized in other comprehensive income.

The notes on pages 23 to 44 form an integral part of the audited financial statements.



**KraneShares ETC Plc****Statement of financial position  
As at 31 December 2024**

	<i>Note</i>	<b>31-Dec-24 USD</b>
<b>Assets</b>		
Cash and cash equivalents	<i>14</i>	616,213
Margin account	<i>15</i>	11,302,651
Financial assets at fair value through profit or loss	<i>11</i>	293,438
Other receivables	<i>16</i>	25,000
<b>Total assets</b>		<b>12,237,302</b>
<b>Liabilities</b>		
Other payables	<i>17</i>	7,781
Financial liabilities at fair value through profit or loss	<i>13</i>	263,720
Debt at fair value through profit or loss	<i>12</i>	11,940,426
<b>Total liabilities</b>		<b>12,211,927</b>
<b>Equity</b>		
Called up share capital	<i>18</i>	25,000
Retained earnings	<i>18</i>	375
<b>Total equity</b>		<b>25,375</b>
<b>Total liabilities and equity</b>		<b>12,237,302</b>

**On behalf of the Board:**


**Benjamin Murahwi**  
**Director**

**Date:** 30 April 2025



**Caroline Jones**  
**Director**

30 April 2025

The notes on pages 23 to 44 form an integral part of the audited financial statements.

## KraneShares ETC Plc

### Statement of changes in equity

For the financial period from 25 March 2024 to 31 December 2024

	Called up share capital USD	Retained earnings USD	Total equity USD
Balance as at 25 March 2024	-	-	-
Issue of shares during the financial period	25,000	-	25,000
Total comprehensive income for the financial period	-	375	375
<b>Balance as at 31 December 2024</b>	<b>25,000</b>	<b>375</b>	<b>25,375</b>

The notes on pages 23 to 44 form an integral part of the audited financial statements.

# KraneShares ETC Plc

## Statement of cash flows

For the financial period from 25 March 2024 to 31 December 2024

Financial Period  
ended from  
25-Mar 2024 to  
31-Dec-24  
USD

Note

### Cash flows from operating activities

Operating profit before taxation 500

#### Adjustments for:

Unrealised gain on financial assets at fair value through profit or loss 4 (293,438)

Unrealised loss on financial liabilities at fair value through profit or loss 7 263,720

Unrealised loss on debt at fair value through profit or loss 6 315,426

Taxation 10 (125)

#### Movements in working capital

Increase in other receivables 16 (25,000)

Increase in other payable 17 7,781

**Net cash used in operating activities** 268,864

### Cash flows from investing activities

Net proceeds from future contracts disposed -

**Net cash flows provided by investing activities** -

### Cash flows from financing activities

Net proceeds from the issue of Notes 12 11,625,000

Proceeds from share issued 18 25,000

**Net cash flows provided by financing activities** 11,650,000

**Increase in cash and cash equivalents** 11,918,864

Cash and cash equivalents at the start of the financial period -

**Cash and cash equivalents at end of financial period** 14,15 11,918,864

### Cash and cash equivalents components :

Cash and cash equivalents 616,213

Margin account 11,302,651

**11,918,864**

The notes on pages 23 to 44 form an integral part of the audited financial statements.

## **KraneShares ETC Plc**

### **Notes to the financial statements**

**for the financial period from 25 March 2024 to 31 December 2024**

#### **1. General information**

The Company is a public limited liability company, incorporated on 25 March 2024 under the name of Kraneshares ETC Plc in Ireland under the Companies Act 2014 (the "Act"). The Company has been established for the purpose of issuing KraneShares ETC Securities (the "ETC securities"). The return on KraneShares Global Carbon Strategy ETC securities is linked to the performance of specified reference indices comprised of one or more futures contracts in respect of major global carbon allowances. At year-end, the Company had one series of securities in issue - KraneShares Global Carbon Strategy ETC. The securities are listed on Deutsche Borse, Borsa Italiana and post period-end, on London Stock Exchange. The Company is a qualifying Company within the meaning of Section 110 of the Taxes Consolidation Act 1997.

The Company has no direct employees.

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

The audited financial statements for the financial period from 25 March 2024 to 31 December 2024 have been prepared in accordance with IFRS Accounting Standards as adopted by European Union ('IFRS') and in accordance with the Companies Act, 2014.

The material accounting policy information, set out below, have been applied in preparing the financial statements for the financial period ended 31 December 2024.

The financial statements of the Company have been prepared on a going concern basis.

The nature of the Company's business dictates that the outstanding ETC may be redeemed at any time by any authorised participant who has entered into an authorised participant agreement with the Company. As the redemption of ETC securities will coincide with the sale of an equal amount of the Futures Contract, no liquidity risk is considered to arise. The Company has entered into its primary service contracts with service providers on a non-recourse basis and these costs are being met by Krane Funds Advisors, LLC. Therefore, the Directors are confident that the Company will have the ability to continue to pay its operating costs and any redemptions that may arise within the period of assessment.

Therefore, the Directors believe that the Company will continue in operational existence for the foreseeable future and is financially sound. The Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of the Company.

##### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following:

- Financial assets at fair value through profit and loss ("Future Contracts")
- Financial liabilities at fair value through profit or loss ; and
- Debt at fair value through profit and loss

**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**2. Basis of preparation (continued)**

**(c) Functional and presentation currency**

The financial statements are presented in United States Dollar ("USD") which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The financial liabilities designated at fair value through profit or loss are primarily denominated in USD. The Directors of the Company believe that USD most faithfully represents the economic effects of the underlying transactions, events and conditions.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the period end date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

*Net gain on foreign exchange translation*

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Net loss on foreign exchange translation'. Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within Net gain on financial assets at fair value through profit and loss and Net loss on financial liabilities at fair value through profit and loss.

**(d) Use of estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There are no significant estimates or judgements in the financial statements for the financial period ended 31 December 2024

**(e) Standards, amendments, or interpretations**

The below new and amended IFRS standards and interpretations are effective for annual periods beginning on or after 1 January 2024. These amendments have not had any material impact on the disclosures or on the amounts reported in these financial statements.

<b>Standard</b>	<b>Title of Standard or Interpretation</b>	<b>Effective Date</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	01 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	01 January 2024

*OECD Pillar Two*

Pillar Two legislation has been enacted or substantially enacted in certain jurisdictions where the Company operates. However, this legislation does not apply to the Company as its consolidated revenue is lower than €750 million.

**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**2. Basis of preparation (continued)**

**(e) Standards, amendments, or interpretations (continued)**

*Standards not yet effective, but available for early adoption*

The following new and revised IFRS Standards that have been issued but are not yet effective:

<b>Standard</b>	<b>Title of Standard or Interpretation</b>	<b>Effective Date</b>
Amendments to IAS 21	Lack of exchangeability	01 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	01 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	01 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	01 January 2027

The Company has not early adopted the above new standards or interpretations that are not yet effective. The Directors anticipate that the adoption of those standards or interpretations will have no material impact on the financial statements of the Company in the year of initial application.

**3. Material accounting policy information**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for the financial period presented, unless otherwise stated.

**(a) Financial instruments**

*Classification*

The Company has classified financial assets and financial liabilities into the following categories:

Financial assets at fair value through profit and loss ("Future Contracts"):

- Derivative financial instruments

Financial assets at amortised cost:

- Cash and cash equivalents
- Margin account
- Other receivables carried at amortised cost

**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**3. Significant accounting policies (continued)**

**(a) Financial instruments (continued)**

*Classification (continued)*

Financial liabilities at fair value through profit or loss:

- Derivative financial instruments

Debt at fair value through profit and loss

- ETC Securities issued

Financial liabilities at amortised cost:

- Other payables

The classification is determined by both:

*Characteristics of the contractual cash flows*

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

*Business model assessment*

The Company makes an assessment of the objective of the business model at a series level, as this reflects how portfolios of assets are managed to achieve a particular objective, rather than management’s intentions for individual assets.

The assessment considers the following:

- The strategy for the series as communicated by management;
- How the performance of the Series is evaluated and reported to senior management;

Financial assets that are held for trading or managed within a business model that is evaluated on a fair value basis are measured at FVTPL because the business objective is neither hold-to-collect contractual cash flows nor hold-to-collect-and-sell contractual cash flows.

*Initial Recognition*

All financial assets and all financial liabilities (including financial liabilities at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company issues ETC securities to provide investors with exposure to the performance of the Future contracts. The ETC securities are issued in the form of debt instruments that are backed by fully allocated future holdings of the relevant ETC. An ETC security is issued or redeemed when a corresponding amount of Future Contract has transferred into or from the allocated accounts maintained by the Custodian. The Company has designated its debt instruments as financial liabilities issued at fair value through profit or loss.

## KraneShares ETC Plc

### Notes to the financial statements (continued) for the financial period from 25 March 2024 to 31 December 2024

#### 3. Significant accounting policies (continued)

##### (a) Financial instruments (continued)

###### *Subsequent measurement*

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss at their fair value. The Company measures financial liabilities which are classified at fair value through profit or loss at their fair value. Subsequent changes in the fair value of financial liabilities and financial assets designated at fair value through profit or loss are recognized directly in the Statement of comprehensive income.

The exchange quoted price of the ETC securities is determined by reference to the underlying Future Contracts. Changes in the fair value of the ETC securities are recognized in the statement of comprehensive income. Any return in excess of the principal amount per ETC Security shall be characterised as an interest payment in respect of the ETC Securities. The ETC securities have been designated as at fair value through profit or loss in order to eliminate an accounting mismatch, that would otherwise arise with the Future Contracts, enabling both the ETC securities and the Future Contracts to be measured at fair value with gains or losses on both being recognized in the statement of comprehensive income.

###### *Impairment of financial assets*

The 'expected credit loss' (ECL) model is used to measure impairment of financial assets. The ECL model applies to financial assets measured at amortized cost, but not to investments in equity instruments.

###### *Fair value measurement principles*

The Futures contracts are recorded at fair value less costs to sell using the last available prices quoted in active markets.

The fair value of the ETC securities is determined by reference to the underlying Future Contracts. Changes in the fair value of the ETC securities are recognized in the statement of comprehensive income.

###### *Derivative financial instruments*

Derivatives are financial instruments whose value is derived from an underlying variable, such as interest rates, foreign exchange rates, commodity prices, equity prices, or market indices. Derivatives require little or no initial investment and are settled at a future date, either through physical delivery or more commonly by net cash settlement.

Futures contracts are purchased or sold to gain exposure to or manage exposure to changes in the value of carbon allowances or foreign currencies (foreign currency exchange rate risk). The Company measures derivative financial instruments at their fair value through profit or loss both on initial recognition and on an ongoing basis.

Derivatives are not formally designated into a qualifying hedge relationship and therefore all changes in their fair value are recognised immediately in the Statement of comprehensive income.

Derivative contracts that have a positive fair value are presented as financial assets at fair value through profit or loss in the Statement of Financial Position. Similarly, derivative contracts with a negative fair value are presented as derivative liabilities at fair value through profit or loss.



**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**3. Significant accounting policies (continued)**

**(a) Financial instruments (continued)**

*Derivative financial instruments (continued)*

Derivatives include futures contracts that are exchange-traded agreements between the Company and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. Depending on the terms of a contract, it is settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash amount on the settlement date. Most futures contracts (by volume) are liquidated prior to expiry to avoid physical delivery. Upon entering a futures contract, the Company is required to deposit initial margin with the broker in the form of cash in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract.

Cash deposited as initial margin are designated in the Statement of financial position and are shown as margin account in the Statement of financial position. Pursuant to the contract, the Company agree to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract ("variation margin"). When the contract is closed, derivative is derecognised on net basis and a realized gain or loss is recorded in the Statement of comprehensive income equal to the difference between the notional amount of the contract at the time it was opened and the notional amount at the time it was closed. The use of futures contracts involves the risk of an imperfect correlation in the movements in the price of futures contracts and interest rates, foreign currency exchange rates or underlying assets.

*Derecognition*

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

The Company derecognises financial liability when its contractual obligations are discharged, cancelled or expired.

**(b) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less. As at 31 December 2024 all cash and cash equivalents were held with the Custodian.

**(c) Margin account**

Cash collateral provided by the Company is identified in the statement of financial position as margin accounts and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Company classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

**(d) Other receivables**

Other receivables do not carry any interest, are short-term in nature and have been reviewed for impairment. Other receivables are accounted for at amortized cost.

**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**3. Significant accounting policies (continued)**

**(e) Other payables**

Other payables are accounted at amortized cost.

**(f) 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 offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(g) Share capital**

Share capital is issued in United States Dollar ("USD"). Dividends are recognized as a liability in the financial period in which they are approved.

**(h) Interest and similar income**

Interest income is recognised on a time-proportionate basis using the effective interest method. Interest income from cash and cash equivalents and margin account is recognised in other income.

**(i) Net gain on financial assets at fair value through profit or loss**

Net changes in the fair value of derivative financial instruments relate to futures contracts entered into by the Company. These contracts are used to hedge exposure to carbon credits, ensuring that the Company's cash holdings remain economically backed by carbon-related exposure through a forward contract structure.

These derivatives are not designated as accounting hedges under IFRS 9. As such, gains or losses arising from changes in the fair value of these contracts are recognized in the Statement of Comprehensive Income in the period in which they occur. The fair value of these futures contracts is determined by reference to quoted market prices at the reporting date.

**(j) Net loss on financial liabilities at fair value through profit and loss**

Net changes in the fair value of derivative financial instruments relate to futures contracts entered into by the Company. These contracts are used to hedge exposure to carbon credits, ensuring that the Company's cash holdings remain economically backed by carbon-related exposure through a forward contract structure.

These derivatives are not designated as accounting hedges under IFRS 9. As such, gains or losses arising from changes in the fair value of these contracts are recognized in the Statement of Comprehensive Income in the period in which they occur. The fair value of these futures contracts is determined by reference to quoted market prices at the reporting date.

**(k) Net loss on debt at fair value through profit and loss**

Net changes in fair value of financial liabilities designated at fair value through profit or loss relates to ETC Securities issued and includes all realised and unrealised fair value changes. Any return in excess of the principal amount per ETC Security shall be characterised as an interest payable in respect of the ETC Securities.

## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

#### (l) Administrative expenses

All of the following fees and expenses payable in respect of the Company are paid as one single fee, which will not exceed an amounts described listed below. This is referred to as the total expense ratio or “TER”. Each Series (currently one in issue) pays an “all in one” operational fee to the Arranger. The TER is calculated and accrued daily from the Net Asset Value of each ETC Security and payable monthly in arrears to the Arranger at the rate set out below. The following fees and operational expenses of the Company shall be paid out of the TER:

All the ordinary operating and administrative expenses of the Company, including, but not limited to, corporate service providers’ auditors’, legal advisors’, Investment Advisor, Manager’s, Administrator’s, Custodian’s, Index Providers’, and Central Bank of Ireland Levies. These expenses are not recognised by the Company.

The Arranger has agreed to bear the cost of all fees and operational expenses which are over and above the total expense ratio or “TER” of each class of security.

The TER rate for the Company is listed below.

Class	TER
KraneShares Global Carbon Strategy ETC Securities	78bps

#### (m) Taxation

Corporation tax is provided on taxable profits at current rates applicable to the Company’s activities in accordance with Section 110 of the Taxes Consolidation Act 1997. Deferred taxation is accounted for, without discounting, in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the reporting date. Provision is made at the tax rates which are expected to apply in the periods in which the temporary differences reverse. Deferred tax assets are recognized only to the extent that it is considered more likely than not that they will be recovered.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefit will be realised.

Withholding tax is a generic term used for withholding tax deducted at source from the income. The Company records the withholding tax separately from the gross investment income in the Statement of comprehensive income.

#### (n) Segment reporting

An operating segment is a component of an entity 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). The Company has no employees, and has only one business unit, thus all administrating and operating functions are carried out and reviewed by the Administrator, SEI Global Services Inc and Corporate Services provider, Waystone Centralised Services (Ireland) Limited.

The Company's principal activity is to invest in Futures contracts which are the revenue generating segment of the Company. The Chief Operating Decision Maker ("CODM") of the operating segment is the Director. The Company is an SPV whose principal activities are the issuance of ETC securities and investment in Futures Contracts. Only one Series is in issue at the period end.

**KraneShares ETC Plc****Notes to the financial statements (continued)****for the financial period from 25 March 2024 to 31 December 2024****4. Net gain on financial assets at fair value through profit or loss****Financial  
period from  
25-Mar to  
31-Dec-24  
USD**

Realised gain on financial assets at fair value through profit or loss	322,716
Unrealised gain on financial assets at fair value through profit or loss	293,438
Net gain on financial assets at fair value through profit or loss	<u>616,154</u>

**5. Interest and similar income****Financial  
period from  
25-Mar to  
31-Dec-24  
USD**

Interest income from cash and cash equivalents	4,730
Interest income from margin account	22,033
	<u>26,763</u>

**6. Net loss on debt at fair value through profit and loss****Financial  
period from  
25-Mar to  
31-Dec-24  
USD**

Net loss on debt at fair value through profit or loss	315,426
	<u>315,426</u>

Each ETC Security represents a debt security having a principal amount equal to the Issue Price per ETC Security on the Series Issue Date of that Series. Any return in excess of the principal amount per ETC Security is characterised as an interest payment in respect of the ETC securities. Interest is paid on redemption date.

## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

#### 7. Net loss on financial liabilities at fair value through profit and loss

	Financial period from 25-Mar to 31-Dec-24 USD
Unrealised loss on financial liabilities at fair value through profit and loss	263,720
	<u>263,720</u>

#### 8. Administrative expenses

	Financial period from 25-Mar to 31-Dec-24 USD
Arranger fees*	22,487
	<u>22,487</u>

\*As described in Note 3(h), each Series pays an “all in one” operational fee to the Arranger, which accrues daily equal to the Total Expense Ratio ("TER"). The Arranger agrees to pay the costs and expenses of the Company in exchange for the Company agreeing to pay the Arranger the TER. Fees to arranger are paid monthly.

#### Statutory Information

	Financial period from 25-Mar to 31-Dec-24 EUR
<b>Auditors' remuneration (excluding VAT)</b>	
Statutory Audit	21,750
Other assurance services	5,000

\*The Company has no employees and services required are contracted from third parties. The Company incurred an amount of USD 36,227 (EUR 34,985) for the financial period ended 31 December 2024 relating to corporate services provided by Waystone Centralised Services (IE) Limited. Waystone Centralised Service (IE) Limited allocated approximately USD 1,000 from the corporate service fee received as consideration for the making available of individuals to act as Directors of the Company for the period from 25 March 2024 to 31 December 2024. Arranger has allocated approximately USD 1,000 from the arranger fee received as consideration for the making available of individuals to act as Directors of the Company for the period from 25 March 2024 to 31 December 2024.

**KraneShares ETC Plc****Notes to the financial statements (continued)  
for the financial period from 25 March 2024 to 31 December 2024****9. Net loss on foreign exchange translation**

**Financial period  
from 25-Mar to  
31-Dec-24  
USD**

Net loss on foreign exchange translation	40,784
	<u>40,784</u>

**10. Tax on ordinary activities**

**Financial period  
from 25-Mar to  
31-Dec-24  
USD**

Profit on ordinary activities before taxation	500
Corporation tax at 25%	<u>125</u>
Current tax charge	<u>125</u>

\*The Company is a qualifying company within the meaning of Section 110 of the TCA, 1997. As such, the profits are chargeable to corporation tax under Case III of Schedule D of the TCA at a rate of 25%, but are computed in accordance with the provisions applicable to Case I of Schedule D of the TCA. There was no deferred tax during the financial period.

**11. Financial assets at fair value through profit or loss**

**31-Dec-24  
USD**

At the start of financial period	-
Fair value gain on derivative instruments	293,438
Fair value gain at the end of financial period	<u>293,438</u>

As at 31 December 2024, the Company held open futures contracts with StoneX, with maturity dates in December 2025 and December 2026.

**12. Debt at fair value through profit or loss**

**31-Dec-24  
USD**

At the start of financial period	-
Debt issued	11,625,000
Net loss on debt at fair value through profit and loss	<u>315,426</u>
At the end of financial period	<u>11,940,426</u>

The ETC Securities can be redeemed at the option of the Securities holders. Securityholders may request redemption of the Certificates at any time, subject to the applicable notice periods and procedures. The final maturity date of the Certificates is 02 October 2084.

## KraneShares ETC Plc

### Notes to the financial statements (continued) for the financial period from 25 March 2024 to 31 December 2024

#### 13. Financial liabilities at fair value through profit or loss

	31-Dec-24 USD
At the start of financial period	-
Fair value loss on derivative instruments	263,720
Fair value loss at the end of financial period	<u>263,720</u>

As at 31 December 2024, the Company held open future contracts with StoneX, with maturity dates in March 2025, December 2025 and December 2026.

#### 14. Cash and cash equivalents

	31-Dec-24 USD
Cash at bank	<u>616,213</u>
	<u>616,213</u>

As of 31 December 2024, the cash at bank are held with Brown Brothers Harriman. Credit ratings are disclosed in note 21.

#### 15. Margin Account

	31-Dec-24 USD
Margin account with StoneX	11,302,651
	<u>11,302,651</u>

Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts. As of 31 December 2024, the Margin account is held with StoneX. Upon entering into a futures contract, the Company is required to deposit initial margin with the broker in the form of cash in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Credit ratings are disclosed in note 21.

#### 16. Other receivables

	31-Dec-24 USD
Other receivables	25,000
	<u>25,000</u>

## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

#### 17. Other payables

	<b>31-Dec-24</b>
	<b>USD</b>
Accrued fee payable*	7,656
Corporation tax payable	125
	<u>7,781</u>

\*The accrued fee payable relates to the fee calculated on the total expense ratio payable to the Arranger.

#### 18. Capital and reserves

	<b>31-Dec-24</b>
	<b>USD</b>
<i>Authorised:</i>	
1,000,000 ordinary shares of USD 1 each	<u>1,000,000</u>

<i>Issued, paid and held in trust:</i>	<b>USD</b>
25,000 ordinary shares of USD 1 each	<u>25,000</u>

<i>Presented as follows:</i>	<b>USD</b>
Called up share capital presented as equity	<u>25,000</u>

	<b>31-Dec-24</b>
	<b>USD</b>
At 25 March 2024	-
Profit during the financial period	375
At 31 December 2024	<u>375</u>

In consideration for the allotment of 25,000 ordinary shares in the Company, with effect from 1 October 2024, the contribution is held by Waystone Centralised Services (IE) Limited for the account of, and to the order of, the Company, as its share capital.



## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

#### 19. Offsetting

None of the financial assets or financial liabilities are offset in the Statement of Financial Position. The disclosures set out in the table below include financial assets and financial liabilities that are not subject to and enforceable master netting agreement or similar agreement that cover similar financial instruments.

##### Offsetting Financial Assets

Counterparty	Gross Amount of recognised financial assets	Gross amounts of financial liabilities offset in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
	USD	USD	USD	USD	USD	USD
StoneX	293,438	-	293,438	(263,720)	-	29,718
<b>Total</b>	<b>293,438</b>	<b>-</b>	<b>293,438</b>	<b>(263,720)</b>	<b>-</b>	<b>29,718</b>

##### Offsetting Financial Liabilities

Counterparty	Gross Amount of recognised financial liabilities	Gross amounts of financial assets offset in the Statement of Financial Position	Net amount of financial liabilities presented in the Statement of Financial Position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
	USD	USD	USD	USD	USD	USD
StoneX	263,720	-	263,720	(263,720)	-	-
<b>Total</b>	<b>263,720</b>	<b>-</b>	<b>263,720</b>	<b>(263,720)</b>	<b>-</b>	<b>-</b>

#### 20. Ownership of Company

The sole shareholder of the Company is Waystone Centralised Services (IE) Limited holding 25,000 shares of the Company. All shares are held in trust for charity under the terms of declaration of trust.

The Share Trustee has appointed the Directors to run the day-to-day activities of the Company. The Directors have considered the issue as to who is the ultimate controlling party. It has been determined that control of the day-to-day activities of the Company rests with the Directors.

**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**21. Related party transactions**

*Transactions with Corporate Services provider*

Waystone Centralised Services (IE) Limited provided Corporate services during the financial period, including making available individuals to act as Directors of the Company, Company secretarial services and acting as Share Trustee and Note Trustee. The Company incurred an amount of USD 36,227 (EUR 34,985) for the financial period ended 31 December 2024 relating to the above services provided by Waystone Centralised Services (IE) Limited.

All costs and expenses are paid by the Arranger in exchange for a TER paid by the Company. The Corporate Services provider provided Company Secretary and corporate services duties during the financial period on an arm's length basis.

Benjamin Murahwi (appointed 25 March 2024), Matthew Tracey (appointed 25 March 2024), and Caroline Jones (appointed 19 August 2024, resigned as Director of the Company on 01 October 2024, appointed 29 April 2025) are employees of Waystone Centralised Services (IE) Limited and Company Directors from March 2024 and allocated Director's remuneration of USD 1,000 during the financial period.

*Transactions with Arranger*

As at 31 December 2024, Krane Funds Advisors LLC acted as the Arranger of the Company during the financial period which is considered as a key related party to the Company as it has a key contract with the Company and is responsible for the reimbursement of the operational costs of the Company. The Arranger paid the Company USD 500 annually in respect of each Series of ETC securities issued under the Programme. During the financial period ended 31 December 2024, the total expense ratio amounted to USD 22,487 of which is USD 7,655 is still payable as at the period end. In return for this, the Arranger pays all operating expenses as described in note 3(h) and 8 to the financial statements. Jonathan Krane is an indirect owner of the Arranger and Investment Advisor and allocated USD 1,000 Director's remuneration during financial period.

*Transactions with Administrator*

SEI Global Services Inc provided certain administrative functions for the Company in relation the ETC securities, including, among other things, assisting in the making of certain non-discretionary determinations and calculations in accordance with the Terms and Conditions of the ETC securities, including, without limitation, the determination and publication of the Carbon Entitlement, the Cash Value per ETC Security and the Total Expense Ratio on a daily basis during the financial period. The Company incurred an amount of USD 6,148 for the financial period ended 31 December 2024 relating to administration services provided by SEI Global Services Inc.

All costs and expenses are paid by the Arranger in exchange for a TER paid by the Company.

**22. Financial risk management**

*Risk management framework*

The Company has exposure to the following risks from its use of financial instruments:

- (a) Credit risk;
- (b) Operational risk;
- (c) Market risk; and
- (d) Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

## 22. Financial risk management (continued)

### (a) Credit Risk

Credit/Counterparty risk refers to the risk that the Custodian or Broker will default on its contractual obligations resulting in the Company being unable to make payment of amounts due to the Exchange traded commodity holders ("ETC holders"). Accordingly, the Company and the ETC holders are exposed to the creditworthiness of the Custodian and Broker. Consequently, credit risks are ultimately borne by the ETC holders who are therefore concerned with the Company's procedures and policies in place to mitigate the risks. The Company has sufficient and adequate control structures in place to manage and mitigate the risks.

The Company's exposure to credit risk and credit ratings are continuously monitored by the Directors and the Arranger, through the credit ratings assigned by well-known credit ratings agencies.

Rating Agency	Counterparty	Holding account	Short term 31-Dec-24
Standard & Poor's	Brown Brothers Harriman & Co.	Cash and cash equivalents	A3
Fitch	Brown Brothers Harriman & Co.	Cash and cash equivalents	A+
Standard & Poor's	StoneX Financial Inc.	Margin account	BB-
Moody's	StoneX Financial Inc.	Margin account	Ba3

The maximum gross exposure to credit risk at the end of the financial year was:

	31-Dec-24 USD
Cash and cash equivalents	616,213
Margin account	11,302,651
Financial assets at fair value through profit or loss	293,438
Other receivables	25,000
	<u>12,237,302</u>

## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

## 22. Financial risk management (continued)

### (a) Credit Risk

#### *Concentration risk*

Concentration risk can arise from the type of assets held in the portfolio, the maturity of assets, the concentration of sources of funding, concentration of counterparties or geographical locations.

The table below outlines the fair value of financial asset and liabilities at fair value through profit and loss as at the financial period end based on emissions trading

#### **By emission trading systems**

##### **Fair value of financial asset**

**31-Dec-24**  
**USD**

European Union Allowances (EUA)	252,398
Regional Greenhouse Gas Initiative (RGGI)	41,040
Total	<u>293,438</u>

##### **Fair value of financial liability**

California Carbon Allowances (CCA)	(29,780)
United Kingdom Allowances (UKA)	(43,565)
Washington State Carbon Allowances (WCA)	(57,000)
Euro Currency	(133,375)
	<u>(263,720)</u>

Cap-and-trade programs, also known as emissions trading systems, are market-based policies that set a limit (the "cap") on emissions and allow companies to trade permits to emit pollutants, creating a financial incentive for emissions reductions

### (b) Operational risk

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 external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Board has established processes to manage operational risks. Those processes include appropriate segregation of responsibilities and specific control activities. The Board delegates management and administration function to the Administrator and Corporate Services Provider.

**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**22. Financial risk management (continued)**

**(c) Market risk**

Market risk is the risk that changes in market prices of the Futures contracts will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises of price risk, interest rate risk and currency risk. The ETC holders are exposed to the market risk of the asset's portfolio. Market risk embodies the potential for both gains and losses and price risk.

*Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk), whether those changes are caused by factors specific to the individual financial instrument or its seller, or factors affecting similar financial instruments traded in the market. The Investment Advisor monitors the price risk of the financial assets at fair value through profit or loss on a daily basis.

The Company uses the hierarchy below for determining and disclosing the fair value of financial instruments by valuation technique:

The level in the fair value hierarchy in which each fair value measurement is categorised includes:

- Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

	<b>Fair Value Hierarchy</b>	<b>Valuation technique and key inputs</b>
Financial assets at fair value through profit or loss	Level 1	Quoted prices in active markets
Financial liabilities at fair value through profit or loss	Level 1	Quoted prices in active markets
Debt at fair value through profit or loss	Level 2	Valuation based on observable market prices of carbon credits from exchanges, adjusted by TER.

The Company does not consider market risk to be a significant risk to the Company as any fluctuation in the value of the Futures contracts is ultimately borne by the ETC holders of the relevant securities. Nonetheless, the price risk is managed by constant monitoring of the market prices of financial instruments.

Futures contracts held by the Company are classified as level 1. The fair value of these contracts is determined by reference to the exchange-quoted prices of the underlying futures contracts.

## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

## 22. Financial risk management (continued)

### (c) Market risk (continued)

#### *Price risk (continued)*

ETC securities issued by the Company are classified within level 2. The exchange quoted price of the ETC securities is determined by reference to underlying future contracts and adjusted for the Total Expense Ratio payable to the Arranger. This valuation technique represents the price of the ETC securities to which Authorized Participants subscribe and request buybacks of ETC securities directly with the Company. There are no significant unobservable inputs to this valuation technique.

31 December 2024	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss	293,438	-	-	293,438
Financial liabilities at fair value through profit or loss	(263,720)	-	-	(263,720)
Debt at fair value through profit or loss	-	(11,940,426)	-	(11,940,426)
	29,718	(11,940,426)	-	(11,910,708)

#### **Sensitivity analysis:**

Any changes in the values of the Future contracts held by the Company would not have any effect on the equity or profit or loss of the Company as any fair value fluctuations are ultimately borne by the holders of the ETC Securities issued by the Company. A 10% change in the value of the portfolio of Futures Contracts held will result in a change in value of USD 2,972. This will be offset by an equal change in the value of ETC securities issued, resulting in a net zero impact to the equity or profit of the Company. Therefore, the Company is fully economically hedged against changes in prices of underlying securities.

#### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in foreign currency.

The ETC Securities issued by the Company are denominated in US Dollars, however, the underlying Futures Contracts and cash held on deposit are denominated in other currencies, including EUR and British Sterling Pounds. Accordingly the value of any portion of the underlying collateral denominated in another currency may be affected by changes in the exchange rate between USD and that other currency, which could ultimately result in returns for investors being less than anticipated.

The closing exchange rates used are as follows:

	31/12/2024
EUR	0.965720
GBP	0.798470

## KraneShares ETC Plc

### Notes to the financial statements (continued)

for the financial period from 25 March 2024 to 31 December 2024

## 22. Financial risk management (continued)

### Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis:

#### 31 December 2024:

Asset class	EUR	GBP	10% movement EUR	10 % movement GBP
Financial assets at fair value through profit or loss	243,640		22,935	
Financial liabilities at fair value through profit or loss		(34,800)	51,506	(3,962)
Margin account	547,152	397,588		45,267
Total	790,792	362,788	74,441	41,305

### Interest rate risk

Interest rate risk is the risk that the fair value of the ETC securities will fluctuate because of changes in market interest rates. Changes in exchange rates and interest rates may have a positive or negative impact on the price, demand, production costs, direct investment costs of Future contracts and the returns from investments in Future contracts are therefore influenced by and may be correlated to these factors. Although the ETC Securities do not pay periodic interest, they do entitle holders to an amount on redemption that reflects the fair value movements of the underlying carbon credit-linked futures contracts. The value of the ETC Securities is primarily driven by the performance of carbon credit-linked futures rather than changes in interest rates. As a result, the Company is not subject to significant interest rate risk.

### The Interest Rate Sensitivity Gap

#### 31 December 2024:

Assets	Fixed USD	Floating USD	Non-Interest Bearing USD	Total USD
Financial assets at fair value through profit and loss	-	-	293,438	293,438
Cash and Cash equivalents	-	616,213	-	616,213
Margin accounts	-	11,302,651	-	11,302,651
Other receivables	-	-	25,000	25,000
<b>Total assets</b>	<b>-</b>	<b>11,918,864</b>	<b>318,438</b>	<b>12,237,302</b>
Liabilities	Fixed USD	Floating USD	Non-Interest Bearing USD	Total USD
Other payables	-	-	7,781	7,781
Financial liabilities at fair value through profit and loss	-	-	263,720	263,720
Debt at fair value through profit and loss	-	11,940,426	-	11,940,426
<b>Total liabilities</b>	<b>-</b>	<b>11,940,426</b>	<b>271,501</b>	<b>12,211,927</b>
Cumulative gap	-	(21,562)	46,937	25,375
<b>Interest rate sensitivity analysis:</b>				
10% change in the interest rate	-	(2,156)	-	(2,156)

**Notes to the financial statements (continued)**  
**for the financial period from 25 March 2024 to 31 December 2024**

**22. Financial risk management (continued)**

**(d) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company does not have significant exposure to liquidity risk due to the buy-back of ETC securities being settled from proceeds from the sale of Future contracts and the cash held on deposit with Custodian. ETC securities can be issued and redeemed daily. Final maturity date of ETC securities is 02 October 2084.

The Company manages liquidity risk by maintaining adequate levels of cash and highly liquid investments, including futures contracts, to meet redemption requests and other short-term obligations. The Company closely monitors the daily liquidity position and ensures that the proceeds from the sale of futures contracts and cash held with the Custodian are sufficient to settle any buy-back of ETC securities.

Operational expenses are settled by Arranger, Krane Fund Advisors, LLC, in exchange for the Company paying “TER”. The Securities are limited recourse obligations of the Company that are payable solely out of amounts received in respect of the financial assets.

**The following table demonstrates the liquidity risk profile for the Company:**

<b>31 December 2024</b>	<b>Carrying Value USD</b>	<b>Up to 1 year USD</b>	<b>1 year to 5 years USD</b>	<b>Over 5 years USD</b>
Debt at fair value through profit or loss	11,940,426	-	-	11,940,426
Financial liabilities designated at fair value through profit or loss	263,720	260,520	3,200	-
Other payables	7,781	7,781	-	-
	<u>12,211,927</u>	<u>268,301</u>	<u>3,200</u>	<u>11,940,426</u>

**23. Capital management**

The primary objective of the Company’s capital management is to ensure that it maintains an adequate capital base to meet its obligations as they fall due and to preserve the going concern status of the Company. The Company is a Special Purpose Vehicle (SPV) established in Ireland under the Companies Act 2014 as a Public Limited Company, and its activities are governed by its constitutional documents and the terms of the relevant transaction documents.

The Company operates under a limited recourse arrangement. Its liabilities are limited to the proceeds of the financial assets it holds. The capital of the Company is not actively managed for return, but solely to meet legal and contractual obligations.



## KraneShares ETC Plc

### Notes to the financial statements (continued) for the financial period from 25 March 2024 to 31 December 2024

#### 24. Subsequent events

The Company listed KraneShares Global Carbon Strategy ETC Securities in London Stock Exchange on 15 January 2025.

	Exchange	Ticker	Currency	Listing Date	SEDOL	ISIN
3	London Stock Exchange	KRBN LN	USD	16-Jan-25	BSRH0B0	XS2879867773
4	London Stock Exchange	KRBP LN	GBP	16-Jan-25	BR4Y040	XS2879867773

The Directors will continue to monitor and react to the imposition of any tariffs and associated retaliatory tariffs which may be implemented by the US government, and which may adversely affect the market for Carbon Futures.

Waystone Corporate Services (IE) Limited has merged with Waystone Centralised Services (IE) Limited effective from 1<sup>st</sup> March 2025.

On 29 April 2025, Caroline Jones was appointed as an Alternate Director.

There have been no other significant events after the financial period end up to the date of signing of these financial statements that require disclosure and/or adjustment to the financial statements.

#### 25. Commitments and Contingencies

The Company had no commitments or contingencies as at the financial period-end.

#### 26. Charges

All series assets as specified in note 11, 14 and 15 have charges assigned by way of security in favor of the Trustee for itself and on behalf of the noteholders.

#### 27. Approval of financial statements

The Board of Directors approved these financial statements on 30 April 2025.