

Leverage Shares Plc

Directors' report and audited financial statements

For the financial year ended 30 June 2020

Registered number 597399

Leverage Shares Plc

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Leverage Shares Plc

Directors and other information

Directors	Neil Fleming (<i>Irish</i>) (<i>Independent and Non-Executive</i>) Lisa Hand (<i>Irish</i>) (<i>Non-Executive</i>)	
Registered Office	<i>As from 31 January 2020</i> 2nd floor, Block 5 Irish Life Centre Abbey Street Lower Dublin 1 Ireland	<i>Up to 31 January 2020</i> 2 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
Company Secretary and Administrator	Apex IFS Limited 2nd Floor, Block 5 Irish Life Centre Abbey Street Lower Dublin 1 Ireland	
Arranger	Leverage Shares Management Company Limited 116 Mount Prospect Avenue Clontarf Dublin 3 Ireland	
Portfolio Administrator	<i>(As from 5 February 2020)</i> GWM Limited 41 Cedar Avenue 5th Floor, Hamilton HM12 Bermuda	Interactive Brokers (UK) Limited Level 20 Heron Tower 110 Bishopsgate London EC2N 4AY United Kingdom
CREST Settlement Agent and CREST Sponsor	Link Market Services Trustees Limited The Registry, 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom	
Custodian & Margin Account Provider	Interactive Brokers LLC One Pickwick Plaza Greenwich CT 0683082 United States of America	
Initial Authorised Participant	BNP Paribas Arbitrage S.N.C. 160-162 Boulevard Macdonald 75019 Paris France	
Registrar	Link Registrars Limited 2 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland	
Independent Auditor	Ernst & Young Ernst & Young Building Harcourt Centre Harcourt Street Dublin 2 Ireland	

Leverage Shares Plc

Directors and other information (continued)

Determination Agent	<i>(As from 30 August 2019)</i> Calculation Agent Services LLC 34E Putnam Avenue Greenwich CT 06830 United States of America	<i>(Up to 30 August 2019)</i> SEI Global Services, INC. 1 Freedom Valley Drive Oaks PA 19456 United States of America
Solicitor	Matheson 70 Sir John Rogerson's Quay Dublin 2 Ireland	
Issuing & Paying Agent	<i>(As from 5 February 2020)</i> Link ASI Limited 2 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland	<i>(Up to 5 February 2020)</i> Apex IFS Limited 2nd Floor, Block 5 Irish Life Centre Abbey Street Lower Dublin 1 Ireland

Directors' report

The Directors present their annual report and audited financial statements of Leverage Shares Plc (the "Company") for the financial year ended 30 June 2020.

Principal activities and business review

The Company is a limited liability company, incorporated in Ireland on 27 January 2017, under Irish Company law with registered number 597399. The Company is an orphan vehicle, with the shares held for the benefit of a charitable trust (see note 16). The Company is registered in Ireland as a Section 110 vehicle. The Company has been established as a special purpose vehicle (the "SPV") for the purpose of issuing exchange traded securities. The Company commenced trading on 8 December 2017.

The Company established a collateralised exchange traded product programme (the "Programme") under which the Company issues, on an ongoing basis, collateralised exchange traded products (the "ETPs") of different series (each a "Series") or tranches (each a "Tranche") linked to underlying equity securities each providing leveraged long or short exposure to specified equity securities (each individually a "Component Security", collectively the "Component Securities"). The aggregate number of ETPs issued under the Programme will not at any time exceed USD 1,000,000,000.

Each Series constitutes limited recourse obligations of the Company, secured on and payable solely from the Component Securities constituting the ETP in respect of such Series. Each Series of ETPs may comprise one or more Tranches. The ETPs have been listed for trading on the London Stock Exchange and Cboe Europe.

Each ETP provides leveraged or short exposure to a single Component Security. Each Series is assigned a leverage factor in the relevant final terms. The proceeds of the issuance of each Series or Tranche will be deposited with Interactive Brokers LLC (the "Custodian" and the "Margin Account Provider"). For leveraged Series the Margin Account Provider will procure that an amount equal to the proceeds of the issuance of the relevant Series multiplied by the applicable leverage factor will be invested in the Component Security of the relevant Series. For each Series providing long exposure the Company has physical ownership of the Component Securities. For Series providing short exposure the Issuer will short sell the Component Securities which it will borrow from the Margin Account Provider with the proceeds from the issuance acting as collateral.

The ETPs do not bear interest at a prescribed rate. The return (if any) on the ETPs is calculated in accordance with the redemption provisions set out in the base prospectus of the Company.

During the financial year ended 30 June 2020, the Company did not redeem in full or cancel any Series (2019: redeemed 13 Series) and issued 28 Series of ETPs (2019: none). As at 30 June 2020, the Company had 40 Series in issue (2019: 12 Series). Refer to note 12 for further details.

General information regarding the Company is further described in note 1 to the financial statements.

All ETP Securities in issue as at 30 June 2020 are listed on the London Stock Exchange out of which two of the ETP Securities are also listed in Cboe Europe.

Key performance indicators

During the financial year:

- the Company made a profit before tax of USD Nil (2019: USD Nil);
- the Company's realised gains on financial assets at fair value through profit or loss amounted to USD 2,331,027 (2019: realised losses of USD 282,808);
- the Company's unrealised gains on financial assets at fair value through profit or loss amounted to USD 2,530,027 (2019: USD 353,794);
- the Company's realised losses on financial liabilities at fair value through profit or loss amounted to USD 2,331,027 (2019: USD 396,613);
- the Company's unrealised losses on financial liabilities at fair value through profit or loss amounted to USD 2,378,936 (2019: unrealised gains of USD 449,762);
- dividend income from Component Securities amounted to USD 84,905 (2019: USD 155,128);
- there were subscriptions in the existing Series of ETP Securities as disclosed in note 12 to the financial statements;
- there were partial redemptions of the existing Series of ETP Securities as disclosed in note 12 to the financial statements;
- no Series were fully redeemed (2019: 13 Series were redeemed); and
- the Company issued 28 new Series of ETP Securities (30 June 2019: none):
 - Leverage Shares -1x Tesla ETP
 - Leverage Shares 2x Tesla ETP
 - Leverage Shares 3x Apple ETP
 - Leverage Shares 2x Advanced micro devices ETP
 - Leverage Shares -1x Advanced micro devices ETP
 - Leverage Shares 3x Amazon ETP
 - Leverage Shares -1x Amazon ETP
 - Leverage Shares -1x Apple ETP

Directors' report (continued)

Key performance indicators (continued)

During the financial year (continued):

- the Company issued 28 new Series of ETP Securities (continued):
 - Leverage Shares 2x Alibaba ETP
 - Leverage Shares -1x Alibaba ETP
 - Leverage Shares 3x Salesforce.com ETP
 - Leverage Shares -1x Salesforce.com ETP
 - Leverage Shares 3x Facebook ETP
 - Leverage Shares -1x Facebook ETP
 - Leverage Shares 3x Alphabet ETP
 - Leverage Shares -1x Alphabet ETP
 - Leverage Shares 3x Microsoft ETP
 - Leverage Shares -1x Microsoft ETP
 - Leverage Shares 2x Micron Technology ETP
 - Leverage Shares -1x Micron Technology ETP
 - Leverage Shares 3x Netflix ETP
 - Leverage Shares -1x Netflix ETP
 - Leverage Shares 3x NVIDIA ETP
 - Leverage Shares -1x NVIDIA ETP
 - Leverage Share 2x Twitter ETP
 - Leverage Share -1x Twitter ETP
 - Leverage Share 2x Uber ETP
 - Leverage Share -1x Uber ETP

As at 30 June 2020:

- the total fair value of the ETP Securities in issue was USD 19,180,104 (2019: USD 5,668,141) as disclosed in note 12 to the financial statements;
- the net assets of the Company were USD 27,365 (2019: USD 27,365); and
- the Company had issued all the ETP Securities on the London Stock Exchange. The Series of ETPs in issue at 30 June 2020 and 30 June 2019 related to the following industries:

	Financial year ended 30 June 2020	Financial year ended 30 June 2019
	Number of ETPs issued	Number of ETPs issued
Information Technology	31	8
Consumer Discretionary	3	1
Financials	3	3
Automobile	3	-
	<u>40</u>	<u>12</u>

Future developments

The Company had sought approval for various amendments to the programme documents to facilitate the development and expansion of the product range for which it obtained security holders approval in January 2020. The Directors expect to issue further new Series in the coming months and the Company is currently updating its prospectus to facilitate same.

Going concern

The Directors believe the Company is a going concern. The nature of the Company's business dictates that the outstanding ETPs 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 ETPs will coincide with the sale of an equal amount of the Component Security, no liquidity risk is considered to arise. The Company has entered into its primary service contracts with service providers on a non-recourse and non-petition basis and these costs are being met by Leverage Shares Management Company Limited (as Arranger) and in return the Arranger receives the arrangement fees earned on the Series. Therefore, the Directors consider the Company to be a going concern and have prepared the financial statements on this basis.

Principal risks and uncertainties

Impact of COVID-19

The Directors have assessed the impact of COVID-19 on the assets under management, hence the Company's future revenue streams, and are of the opinion that as at the signing date, the Company has adequate resources to continue its operations for the foreseeable future. The longer-term impact of this pandemic is at present unclear, however the Company grew its assets under management during the first half of 2020 and this growth has continued in the second half of the year and there are no immediate impacts on the financial position or performance of the Company as at 30 June 2020.

Directors' report (continued)

Principal risks and uncertainties

The key risks to the business relate to the use of financial instruments. A summary of these risks, including Operational Risk, is set out in note 18 to the financial statements.

Brexit

The United Kingdom has formally withdrawn from membership of the European Union (the "EU") ("Brexit") and is currently in a transition phase that was agreed in the UK–EU Withdrawal Agreement in which the UK is no longer a member of the EU but continues to be subject to various EU rules and remains a member of the single market and customs union. This phase is currently due to end on the 31 December 2020 and the outcome of negotiations on the detailed trading arrangements post 2020 are unknown. It can be assumed that there will be changes to current UK trading relationships and the UK legal and regulatory environment. These changes may impact how we conduct our business across Europe and how the ETPs are settled and distributed. This uncertainty also could impact the broader global economy, including by reducing investor confidence and driving volatility. Deteriorating business, consumer or investor confidence arising from Brexit or the uncertainty around Brexit could lead to (i) reduced levels of business activity; (ii) higher levels of default rates and impairment; and (iii) mark to market losses in trading portfolios resulting from changes in credit ratings, share prices and solvency of counterparties.

Market overview

The following aspects of the underlying market may affect the market price of the ETP Securities among other factors:

- the value and volatility of the Index referenced by such Series of ETP Securities and the Component Securities underlying that Index;
- the nature and value of any Component Securities relating to such Series of ETP Securities;
- market perception, interest rates, yields and foreign exchange rates; and
- whether or not any market disruption is subsisting.

The equity markets had a very strong second half in 2019 with the S&P 500 breaching the 3,000-point mark in July 2019 and the Nasdaq hitting the 9,000-point mark in December 2019. The S&P 500 finished at 3,100.29 as of 30 June 2020. The markets are volatile with interest rate and trade policy concerns in 2019 now being added to by concerns over the impact of the COVID 19 virus on the global economy.

Results and dividends for the financial year

The results for the financial year are set out on page 15. The Directors do not recommend the payment of a dividend for the financial year (2019: USD Nil).

Changes in Directors, Secretary and Registered Office during the financial year

On 31 January 2020:

- The Registered Office address changed from 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland to 2nd Floor, Block 5, Irish Life Centre, Abbey Street Lower, Dublin 1, Ireland.

Apart from the above, there were no other changes in Directors, Secretary and Registered Office during the financial year.

Significant events

On 30 August 2019, the determination agent changed from SEI Global Services, INC to Calculation Agent Services LLC.

Directors, Secretary and their Interests

None of the Directors who held office on 1 July 2019 and 30 June 2020 held any shares or ETP Securities in the Company at that date, or during the financial year. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest, as defined in Section 309 of the Companies Act 2014, at any time during the financial year. During the financial year, no fees were paid to the Directors for the services provided (2019: USD Nil). Further information is set out in note 17 to the financial statements.

Shares and shareholders

The authorised share capital of the Company is EUR 25,000 which has been fully issued and paid. All the issued shares are held by Monument Trustees Limited. All shares are held in trust for charity under the terms of declaration of trust. Further information is set out in note 15 and note 16 to the financial statements.

Corporate Governance Statement

Introduction

The Company is subject to and complies with the Irish statute comprising the Companies Act 2014 and the listing rules of the London Stock Exchange which are applicable to companies listing instruments like the ETPs.

No Director has a significant direct or indirect holding of securities in the Company. No Director has any special rights of control over the Company's share capital.

Directors' report (continued)

Corporate Governance Statement (continued)

Introduction (continued)

There are no restrictions on voting rights of shareholders.

Appointment and replacement of Directors and Amendments in the Constitution

Regarding the appointment and replacement of Directors, the Company is governed by its constitution and Irish Statute comprising the Companies Act 2014. The constitution may be amended by special resolution of the shareholders.

Powers of Directors

The Board of Directors (the "Board") is responsible for managing the business affairs of the Company in accordance with the constitution. The Directors may delegate certain functions to the issuing & paying agent (the "IPA") and other parties, subject to the supervision and direction of the Directors. The Directors have delegated the day to day administration of the Company to Apex IFS Limited (the "Administrator").

Financial Reporting Process

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

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator to maintain the accounting records of the Company. The Administrator is contractually obliged to maintain proper books and records as required by the Corporate Services agreement. The Administrator is also contractually obliged to prepare, for review and approval by the Board, the annual report including financial statements intended to give a true and fair view.

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

Risk Assessment

The Board in appointing various service providers has given consideration to their experience and their processes to: assess the risk of irregularities, whether caused by fraud or error in financial reporting; ensure that processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting; identify changes in accounting rules and recommendations; and to ensure that these changes are accurately reflected in the Company's financial statements.

Control Activities

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related ETPs in the Company's financial statements.

Transfer of shares

The Company has issued ordinary shares and any transfer of these must be in accordance with the trust deed and any trustee restrictions. The instrument of transfer of any share shall be executed by or on behalf of the transferor and, in cases where the share is not fully paid, by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register in respect thereof. The Directors in their absolute discretion and without assigning any reason therefore may decline to register any transfer of a share. If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

Accounting records

The Directors believe that they have complied with requirements of Section 281 to 285 of the Companies Act 2014 with regards to keeping adequate accounting records by utilising accounting personnel employed by the Administrator with appropriate experience and expertise and by providing resources to the financial function. The accounting records of the Company are maintained at 2nd Floor, Block 5, Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland.

Political donations

The Electoral Act, 1997 (as amended by the Electoral Amendment Political Funding Act, 2012) requires Companies to disclose all political donations over EUR 200 in aggregate made during a financial year. The Directors, on enquiry, have satisfied themselves that no such donations in excess of this amount have been made by the Company during the financial year ended 30 June 2020 (2019: EUR Nil).

Directors' report (continued)

Subsequent events

There has been no significant subsequent events after the financial year up to the date of signing this report that require disclosure and/or adjustment to the financial statements.

Research and development costs

The Company did not incur any research and development costs during the financial year (2019: USD Nil).

Audit committee

The sole business of the Company relates to the issuance of ETPs. Given the functions performed by the IPA and the limited recourse nature of the securities issued by the Company, the Directors has concluded that there is currently no need for the Company to have a separate audit committee in order for the Board to perform effective monitoring and oversight of the internal controls 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.

Independent Auditor

Ernst & Young, Chartered Accountants and registered Auditors, have been appointed by the Directors as auditors on 31 October 2018. In accordance with Section 383(2) of the Companies Act, 2014, Ernst & Young, have expressed their willingness to continue in office.

Statement on relevant audit information

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

Directors' compliance statement

The Directors confirm that:

- they acknowledge that they are responsible for securing the company's compliance with its relevant obligations and have, to the best of their knowledge, complied with its relevant obligations as defined in section 225 of the Companies Act 2014;
- they have drawn up a compliance policy statement setting out the Company's policies (that, in the Directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;
- 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; and
- the arrangements and structures in place are reviewed on an annual basis.

Responsibility statement in accordance with the transparency regulation

Each of the Directors confirm to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as issued by the IASB and as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Approved and authorised for issue on behalf of the Board:



Neil Fleming
Director



Lisa Hand
Director

Date: 30 October 2020

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report and financial statements, in accordance with applicable law 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 year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position, of the Company as at the financial year and of the profit or loss of the company for the financial year, and otherwise comply with the Companies Act 2014.


In preparing the 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 the financial statements have been prepared in accordance with IFRS and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved and authorised for issue on behalf of the Board:


Neil Fleming
Director


Lisa Hand
Director

Date: 30 October 2020



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEVERAGE SHARES PLC

Opinion

We have audited the financial statements of Leverage Shares plc ('the Company') for the year ended 30 June 2020, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014.

In our opinion the financial statements:

- ▶ give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2020 and of its results for the year then ended; and
- ▶ have been properly prepared in accordance with IFRS as adopted by the European Union; 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) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEVERAGE SHARES PLC (CONTINUED)

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Board of Directors
<p>Valuation of financial assets and financial liabilities at fair value through profit or loss</p> <p>We have considered valuation of financial assets at fair value through profit or loss (with a fair value of USD 28,798,446 (2019: USD 11,358,467) and financial liabilities at fair value through profit or loss (with a fair value of USD 19,180,104 (2019: USD 5,668,141)) as a key audit matter as it is a key driver of the Company's performance.</p> <p>Please refer to Note 3 (i) - Financial instruments, Note 8 Financial Assets at fair value through profit or loss and Note 12 Financial liabilities at fair value through profit or loss.</p>	<p>We have obtained the listing of financial assets and financial liabilities at fair value through profit or loss as at 30 June 2020 from the Administrator.</p> <p>We assessed the reasonableness of the valuation for all financial assets and liabilities at fair value through profit or loss by:</p> <ul style="list-style-type: none">▶ comparing the value of the equity securities to quoted prices or vendor prices▶ recalculating fair value using industry standard models, assessing the reasonableness of the assumptions and data inputs used by the Directors to value these financial liabilities at fair value through profit or loss.	<p>No issues have been noted from the performance of our procedures over this key audit matter.</p>



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEVERAGE SHARES PLC (CONTINUED)

Our application of materiality

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

Materiality

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

We determined materiality to be €164,955 (2019: €56,681), which is 1% of the fair value of the ETP Securities (2019: 1% of the fair value of the ETP Securities). We believe that this is an appropriate measurement basis since the users of the financial statements may focus more on this than on earnings.

During the course of our audit, we reassessed initial materiality and made no changes to it.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was €123,716 (2019: €42,511), which is 75% (2019: 75%) of our materiality. We have set performance materiality at this percentage due to our knowledge of the company and its industry and the effectiveness of its control environment and our assessment of the risks associated with the engagement.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of €8,247 (2019: 2,834), which is 5% (2019: 5%) of our defined materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEVERAGE SHARES PLC
(CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

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

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

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

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

Matters on which we are required to report by exception

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

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



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEVERAGE SHARES PLC (CONTINUED)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2014.
- ▶ We understood how Leverage Shares plc is complying with those frameworks by updating our understanding of the adequate system of internal control in place. We also considered the existence of independence service providers, proper segregation of duties and the regulated environment in which the Company operates, which may reduce opportunities for fraud to take place.
- ▶ We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by management override of controls.



**Building a better
working world**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEVERAGE SHARES PLC
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements (continued)

- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries to those charged with governance into possible instances of non-compliance with laws and regulations, review of board meeting minutes during the year and obtaining representation from the management.

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

This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 31 October 2018 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years.

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

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

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

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

A handwritten signature in black ink that reads 'Kieran Daly' in a cursive script.

Kieran Daly
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

30 October 2020

Statement of comprehensive income

For the financial year ended 30 June 2020

	Note	Financial year ended 30-Jun-20 USD	Financial year ended 30-Jun-19 USD
Revenue	4	84,905	155,128
Realised gains/(losses) on financial assets at fair value through profit or loss		2,331,027	(282,808)
Unrealised gains on financial assets at fair value through profit or loss		2,530,027	353,794
Realised losses on financial liabilities at fair value through profit or loss		(2,331,027)	(396,613)
Unrealised (losses)/gains on financial liabilities at fair value through profit or loss		(2,378,936)	449,762
Realised foreign exchange loss		-	(638)
Operating expenses	6	(61,907)	(76,450)
Finance expense	5	(174,089)	(202,175)
Operating profit before tax		<hr style="border-top: 1px solid black;"/> -	<hr style="border-top: 1px solid black;"/> -
Tax on profit on ordinary activities	7	-	-
Total comprehensive income		<hr style="border-top: 1px solid black;"/> <hr style="border-top: 1px solid black;"/> -	<hr style="border-top: 1px solid black;"/> <hr style="border-top: 1px solid black;"/> -


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

Statement of financial position

As at 30 June 2020

	Note	30-Jun-20 USD	30-Jun-19 USD
Assets			
Financial assets at fair value through profit or loss	8	28,798,446	11,358,467
Amounts due from broker	10	6,160,974	41,042
Other receivables	9	154,008	28,450
Cash and cash equivalents	11	-	35,956
Total assets		35,113,428	11,463,915
Liabilities			
Financial liabilities at fair value through profit or loss	12	19,180,104	5,668,141
Amounts due to broker	10	14,869,475	5,560,063
Other payables	13	43,433	208,346
Payable to GWM Limited	14	993,051	-
Total liabilities		35,086,063	11,436,550
Total assets less total liabilities		27,365	27,365
Share capital and retained earnings			
Called up share capital presented as equity	15	26,703	26,703
Retained earnings		662	662
Total shareholders' funds		27,365	27,365

The financial statements were approved by the Board of Directors on 30th October 2020 and signed on its behalf by:


 Neil Fleming
 Director

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 Lisa Hand
 Director

Statement of changes in equity
For the financial year ended 30 June 2020

		Share capital	Retained earnings	Total equity
	Note	USD	USD	USD
Balance as at 1 July 2018		26,703	662	27,365
Total comprehensive income for the financial year		-	-	-
Balance as at 30 June 2019	15	<u>26,703</u>	<u>662</u>	<u>27,365</u>
Balance as at 1 July 2019		26,703	662	27,365
Total comprehensive income for the financial year		-	-	-
Balance as at 30 June 2020	15	<u>26,703</u>	<u>662</u>	<u>27,365</u>

Statement of cash flows

For the financial year ended 30 June 2020

	Note	Financial year ended 30-Jun-20 USD	Financial year ended 30-Jun-19 USD
Cash flows from operating activities			
Profit on ordinary activities before taxation		-	-
<i>Adjustments for:</i>			
Unrealised losses/(gains) on financial liabilities at fair value through profit or loss		2,378,936	(449,762)
Realised losses on financial liabilities at fair value through profit or loss		2,331,027	396,613
<i>Movements in working capital</i>			
Financial assets at fair value through profit or loss		(17,439,979)	545,882
Financial liabilities at fair value through profit or loss		2,641,035	-
(Increase)/decrease in other receivables		(125,558)	696
(Decrease)/increase in other payables		828,138	172,450
Change in amounts due from broker		3,189,480	(417,554)
Net cash used in operating activities		<u>(6,196,921)</u>	<u>248,325</u>
Cash flows from financing activities			
ETP Securities issuances during the financial year		9,924,950	2,785,804
ETP Securities redemptions during the financial year		(3,763,985)	(2,996,613)
Net cash generated from financing activities		<u>6,160,965</u>	<u>(210,809)</u>
(Decrease)/increase in cash and cash equivalents		(35,956)	37,516
Cash and cash equivalents at start of the financial year		35,956	(1,560)
Cash and cash equivalents at end of the financial year	11	<u>-</u>	<u>35,956</u>
Supplementary information			
Dividends received		82,384	155,128
Interest paid		316,388	63,746
Tax paid		-	411

Notes to the financial statements For the financial year ended 30 June 2020

1 General information

The Company is a limited liability company, incorporated in Ireland on 27 January 2017, under Irish Company law with registered number 597399. The Company is an orphan vehicle, with the shares held for the benefit of a charitable trust (see note 16). The Company is registered in Ireland as a Section 110 vehicle. The Company has been established as an SPV for the purpose of issuing exchange traded securities. The Company commenced trading on 8 December 2017.

The Company established a collateralised Programme under which the Company issues, on an ongoing basis, collateralised ETPs of different Series or Tranche linked to underlying equity securities each providing leveraged long or short exposure to specified Component Securities. The aggregate number of ETPs issued under the Programme will not at any time exceed USD 1,000,000,000.

Each Series constitutes limited recourse obligations of the Company, secured on and payable solely from the Component Securities (including cash held as collateral) constituting the ETP in respect of such Series. Each Series of ETPs may comprise one or more Tranches. The ETPs have been listed for trading on the London Stock Exchange and Cboe Europe.

Each ETP provides leveraged or short exposure to a single Component Security. Each Series is assigned a leverage factor in the relevant final terms. The proceeds of the issuance of each Series or Tranche will be deposited with the Custodian and the Margin Account Provider. For leveraged Series the Margin Account Provider will procure that an amount equal to the proceeds of the issuance of the relevant Series multiplied by the applicable leverage factor will be invested in the Component Security of the relevant Series. For each Series providing long exposure the Company has physical ownership of the Component Securities. For Series providing short exposure the Issuer will short sell the Component Securities which it will borrow from the Margin Account Provider with the proceeds from the issuance acting as collateral.

The ETPs do not bear interest at a prescribed rate. The return (if any) on the ETPs is calculated in accordance with the redemption provisions set out in the base prospectus of the Company.

All ETP Securities in issue as at 30 June 2020 are listed on the London Stock Exchange out of which two of the ETP Securities are also listed in Cboe Europe.

2 Basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as adopted by the EU and in accordance with the Companies Act, 2014.

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

The accounting policies set out below have been applied in preparing the financial statements for the financial year ended 30 June 2020 and in the comparative information presented in these financial statements which is for the financial year ended 30 June 2019.

Going Concern

The Directors believe the Company is a going concern. The nature of the Company's business dictates that the outstanding ETPs 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 ETPs will coincide with the sale of an equal amount of the Component Security, no liquidity risk is considered to arise. The Company has entered into its primary service contracts with service providers on a non-recourse and non-petition basis and these costs are being met by Leverage Shares Management Company Limited (as Arranger) and in return the Arranger receives the arrangement fees earned on the Series. Therefore, the Directors consider the Company to be a going concern and have prepared the financial statements on this basis.

(b) Functional and presentation currency

These financial statements are presented in US dollar ("USD") which is the Company's functional currency. The Directors have elected to present the Company's financial statements in USD. Functional currency is the currency of the primary economic environment in which the entity operates. The Directors of the Company believe that USD most faithfully represents the economic effects of the underlying investing and financing activities of the Company.

Transactions in currencies other than USD are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currency are retranslated at the rates prevailing at the reporting date.

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

2 Basis of preparation (continued)**(b) Functional and presentation currency (continued)**

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary items that are denominated in foreign currencies are recognised in profit or loss in the period. Foreign exchange gains and losses on financial assets and financial liabilities are included in the Statement of comprehensive income.

(c) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods affected.

Critical judgements in applying accounting policies on the valuation of financial instruments

The following are the critical judgements on the valuation of the financial instruments, apart from those involving estimations, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Refer to note 3(i) to the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determining the fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 3(i) to the financial statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair values of ETPs are calculated using predetermined formula, where prices of underlying equity securities, which track quoted market prices, are used as inputs to the formula alongside the leverage factor, margin account interest expense and arrangement fees (which are all observable and set out in the agreement for each ETP). These prices are compared to prior day prices and any variation results in either an unrealised gain or loss. The use of defined underlying equity securities and formulae reduces estimation uncertainty.

(d) New standards, amendments or interpretations*(i) Effective for annual periods beginning after 1 July 2019*

A number of new standards and interpretations have been EU endorsed and adopted by the Company:

Description	Effective date
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19: Plan amendment, Curtailment or Settlement	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) including amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	1 January 2019
IFRS 16: Leases	1 January 2019

The above new standards and the related consequential amendments to other IFRS Standards are effective for all the accounting periods beginning on or after 1 January 2019. The Company has adopted and applied these standards on 1 July 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

2 Basis of preparation (continued)**(d) New standards, amendments or interpretations (continued)***(ii) Standards not yet effective, but available for early adoption*

Description	Effective date*
IFRS 10 and IAS 28 amendments: Sale or Contribution of Asset between Investor or its Associate or Joint Venture	1 January 2020
IFRS 3 amendments: Definition of a business IAS 1 and IAS 8 amendments: Definition of material	1 January 2020
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Sep 2019): Interest Rate Benchmark Reform	1 January 2020
Amendments to the References to the Conceptual Framework in IFRS Standards	1 January 2020

*Where new requirements are endorsed, the EU effective date is disclosed. For un-endorsed standards and interpretations, the IASB's effective date is noted. The Company will adopt the above standards on the indicated effective date.

The directors have considered the new standards, amendments and interpretations as detailed in the above table and does not plan to adopt these standards early. The application of all of these standards, amendments or interpretations will be considered in detail in advance of a confirmed effective date by the Company but the Directors do not expect them to result in any significant impact on the Company.

3 Significant accounting policies**(a) Realised gains/(losses) on financial assets at fair value through profit or loss**

Realised gains/(losses) are recognised on disposal of financial assets, when the disposal price is not equal to the initial carrying value of the asset. Any gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are recorded in the Statement of comprehensive income. Details of recognition and measurement of financial assets are disclosed in the accounting policy of financial instruments (note 3(i) to the financial statements).

(b) Realised losses on financial liabilities at fair value through profit or loss

Realised losses are recognised on redemption of the financial liabilities when the redemption price is not equal to the initial carrying value of the financial liabilities. Any gains and losses arising from changes in fair value of the financial liabilities at fair value through profit or loss are recorded in the Statement of comprehensive income. Details of recognition and measurement of financial liabilities are disclosed in the accounting policy of financial instruments (note 3(i) to the financial statements).

(c) Unrealised gains on financial assets at fair value through profit loss

Unrealised gains on financial assets at fair value through profit or loss relates to investments in Component Securities and includes unrealised fair value changes. All unrealised gains/(losses) on financial assets are attributable to market risk arising from price movements on the Component Securities. Any gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are recorded in the Statement of comprehensive income. Details of recognition and measurement of financial assets are disclosed in the accounting policy of financial instruments (note 3(i) to the financial statements).

(d) Unrealised (losses)/gains on financial liabilities at fair value through profit or loss

Unrealised (losses)/gains on financial liabilities at fair value through profit or loss relates to issuances of ETP Securities and fair value on short exposure to Component Securities and includes unrealised fair value changes. All unrealised gains and losses on financial liabilities are primarily attributable to market risk arising from price movements on the ETP Securities. Any gains and losses arising from changes in fair value of the financial liabilities at fair value through profit or loss are recorded in the Statement of comprehensive income. Details of recognition and measurement of financial liabilities are disclosed in the accounting policy of financial instruments (note 3(i) to the financial statements).

(e) Dividend income

Dividend income is shown gross of any non-reclaimable withholding tax and is recognised on the ex-div date of the dividends. The Company receives dividend income on its Component Securities derived from US listed equities.

(f) Interest expense

Interest expense is recognised using the effective interest rate method.

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

3 Significant accounting policies (continued)

(g) 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 recognised only to the extent that it is considered more likely than not that they will be recovered.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

(h) Operating expenses

The Company pays an arrangement fee to Leverage Shares Management Company Limited calculated based on a percentage per annum of the ETP Security value (as defined in the base prospectus of the Company) of the ETP Securities. The arrangement fees are accrued daily and are recorded in the Statement of comprehensive income.

In return for the arrangement fee, various operational expenses such as IPA fees, determination agent fees, registrar fees, trustee fees, and listing fees, audit fees, tax fees and legal fees are borne by Leverage Shares Management Company Limited.

(i) Financial instruments

Classification

The Company classifies its financial assets and financial liabilities as financial assets and financial liabilities at fair value through profit or loss at initial recognition in accordance with IFRS 9: Financial Instruments.

Financial assets and financial liabilities are measured at fair value through profit or loss if:

- its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;
- it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company's Component Securities, as well as the ETPs, are by nature financial assets and financial liabilities at fair value through profit or loss respectively as they are held for trading. All other financial assets and liabilities are classified under amortised cost.

Recognition

The Company initially recognises all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

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

Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as held for trading or designated at fair value) are measured initially at their fair value plus or minus any directly attributable incremental costs of acquisition or issue. For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Company recognises the difference in the Statement of comprehensive income, unless specified otherwise.

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

3 Significant accounting policies (continued)**(i) Financial instruments (continued)***Subsequent measurement*

After initial measurement, the Company measures financial instruments at fair value through profit or loss. Subsequent changes in the fair value of those financial instruments are recorded in unrealised gains or losses on financial assets and financial liabilities at fair value through profit or loss. Interest paid and dividend earned on these instruments are recorded separately in interest expense and dividend income. Other receivables, cash and cash equivalents and other payables are measured at amortised cost.

Derecognition

A financial asset is derecognised where the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired. Any gains or losses on derecognition of financial instruments are recorded in realised gain/loss on financial assets/liabilities at fair value through profit or loss.

Offsetting

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

(j) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investing or other purposes. Cash and cash equivalents comprise cash balances.

(k) Amounts due to/from Broker

Amounts due to/from broker include margin accounts and payables from Component Securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Margin accounts represent cash borrowings or, in respect of positive balances, cash held in the margin account as collateral for short positions or awaiting investment/redemption. Amounts due to/from Broker are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue. These are carried at amortised cost using the effective interest method less any allowance for impairment.

(l) Segmental reporting

The standard on segmental reporting puts emphasis on the "management approach" to reporting on operating segments. An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses.

The Company is engaged in one segment, being a collateralised ETP Securities Programme under which the Company issues on an ongoing basis ETP Securities of different Series linked to a range of equity securities. All the Company's ETPs track equities of US companies.

The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The following is a geographical analysis of the revenue by the country of the counterparty:

	Financial year ended 30-Jun-20 USD	Financial year ended 30-Jun-19 USD
United States	84,905	155,128
	<u>84,905</u>	<u>155,128</u>

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

3 Significant accounting policies (continued)**(m) Other receivables**

Other receivables do not carry any interest and are short-term in nature and have been reviewed for any evidence of expected credit losses. Other receivables are accounted at amortised cost.

(n) Other payables and payable to GWM Limited

Other payables are accounted at amortised cost.

(o) Share capital

The authorised share capital of the Company is EUR 25,000 divided into 25,000 ordinary shares of EUR 1 each. All of this has been issued and called up. The issued and called-up share capital is presented under equity in the Statement of financial position. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4 Revenue

	Financial year ended 30-Jun-20 USD	Financial year ended 30-Jun-19 USD
Dividend income*	82,384	155,128
Other income	2,521	-
	<u>84,905</u>	<u>155,128</u>

*The Company receives dividend income on its Component Securities which comprise US listed equities.

5 Finance expense

	Financial year ended 30-Jun-20 USD	Financial year ended 30-Jun-19 USD
Interest expense	174,089	202,175
	<u>174,089</u>	<u>202,175</u>

A daily margin interest rate corresponding to the relevant benchmark rate plus one per cent is charged by the Margin Account Provider to the Company, as it relates to cash borrowing costs resulting from obtaining exposure to the Component Security of such Series.

6 Operating expenses

	Financial year ended 30-Jun-20 USD	Financial year ended 30-Jun-19 USD
Arrangement fee expense	59,386	46,141
Bank charges	2,521	7,727
Other expenses	-	22,582
	<u>61,907</u>	<u>76,450</u>

The Company pays an arrangement fee of 0.75% per annum of the value of the ETP Securities, calculated on a daily basis.

General operational expenses such as issuer & paying agent fees, determination agent fees, registrar fees, trustee fees, listing fees, audit fees, tax fees and legal fees are borne by Leverage Shares Management Company Limited. The following expenses that arose in respect of the Company were included in the costs borne by Leverage Shares Management Company Limited:

	Financial year ended 30-Jun-20	Financial year ended 30-Jun-19
Auditors' remuneration – Statutory Assurance services	22,760	22,760
Auditors' remuneration – Tax compliance services	5,690	5,690
Directors' remuneration	8,455	8,455

The auditor of the Company earned no other fees from the Company (2019: USD Nil).

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

6 Operating expenses (continued)

All the above are only for qualifying services during the financial year and there was no other remuneration earned by the Directors of the Company in respect of services provided to the Company (2019: USD Nil). Leverage Share Management Company Limited discharges all director fees in respect of the Company.

The Company had no employees during the financial year (2019: none).

7 Tax on profit on ordinary activities

	Financial year ended 30-Jun-20 USD	Financial year ended 30-Jun-19 USD
Corporation tax	-	-
	-	-

Corporation tax has been calculated based on results for the financial year at a rate of 25% (2019: 25%). There were no deferred tax assets or liabilities as at 30 June 2020 (2019: USD Nil).

A reconciliation of the profit before tax amount has not been included as these amounts are Nil (2019: USD Nil).

8 Financial assets at fair value through profit or loss

	30-Jun-20 USD	30-Jun-19 USD
Investment in Component Securities	28,798,446	11,358,467

All unrealised gains/(losses) on assets are attributable to market risk arising from price movements on the Component Securities.

The Company purchases Component Securities in underlying companies. The Company has physical ownership of the Component Securities. The Component Securities are traded regularly on US stock exchanges and the prices listed on the exchange of these securities as at 30 June 2020 represent their fair value.

The Component Securities held by the Company as at 30 June 2020 and 30 June 2019 are as follows:

Component Securities	Code	Fair value		Cost	
		30-Jun-20 USD	30-Jun-20 CCY	30-Jun-19 CCY	30-Jun-19 USD
Alphabet Inc	LS GOOG	2,924,759	2,682,468	705,834	758,737
Amazon.com Inc	LS AMZN	7,608,825	6,292,924	2,175,781	1,985,360
Apple Inc	LS AAPL	2,249,722	1,822,011	904,494	826,099
Citigroup Inc	LS C	231,790	229,561	311,073	283,702
Facebook Inc	LS FB	1,340,167	1,233,376	868,500	758,103
Goldman Sachs Group Inc	LS GS	507,488	510,282	236,313	227,419
JPMorgan Chase & Co	LS JPM	235,714	243,478	421,374	402,679
Microsoft Corporation	LS MSFT	4,101,337	3,548,481	1,753,135	1,506,645
Visa Inc	LS V	1,700,862	1,631,469	845,536	715,781
Netflix Inc	LS NFLX	623,860	587,561	1,110,776	1,083,402
Nvidia Corporation	LS NVDA	2,035,937	1,772,264	1,348,328	1,356,854
Salesforce.com Inc	LS CRM	158,294	150,179	677,323	693,109
Tesla Inc	LS TSLA2x	564,741	459,557	-	-
Apple Inc	LS AAP3x	323,942	310,301	-	-
Advanced Micro Devices	LS AMD2x	393,471	395,040	-	-
Amazon.com Inc	LS AMZ3x	336,576	319,484	-	-
Alibaba group holding	LS BABA2x	385,456	391,863	-	-
Salesforce.com Inc	LS CRM3x	253,083	247,977	-	-
Facebook Inc	LS FB3x	295,872	302,774	-	-
Alphabet Inc	LS GOO3x	552,722	561,375	-	-
Microsoft Corporation	LS MSF3x	442,431	416,070	-	-
Micron Technology Inc	LS MU2x	435,859	418,395	-	-
Netflix Inc	LS NFLX3x	284,855	275,949	-	-
Nvidia Corporation	LS NVD3x	249,601	244,165	-	-
Balance carried forward		28,237,364	25,047,004	11,358,467	10,597,890

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

8 Financial assets at fair value through profit or loss (continued)

The Component Securities held by the Company as at 30 June 2020 and 30 June 2019 are as follows (continued):

Balance brought forward (from previous page)		28,237,364	25,047,004	11,358,467	10,597,890
Twitter Inc	LS TWTR2x	286,490	334,342	-	-
Uber Technologies Inc	LS UBER2x	274,592	319,228	-	-
		<u>28,798,446</u>	<u>25,700,574</u>	<u>11,358,467</u>	<u>10,597,890</u>

9 Other receivables

	30-Jun-20	30-Jun-19
	USD	USD
Leverage Shares Management Company Limited	43,442	28,450
Receivable on notes	102,751	-
Interest receivable	7,815	-
	<u>154,008</u>	<u>28,450</u>

10 Amounts due to/from broker

	30-Jun-20	30-Jun-19
	USD	USD
<i>Due from broker</i>		
Margin account	5,255,279	-
Margin account for the Company	905,695	-
Component Securities sold receivable	-	41,042
	<u>6,160,974</u>	<u>41,042</u>
<i>Due to broker</i>		
Margin account	14,869,475	5,395,039
Component Securities sold payable	-	165,024
	<u>14,869,475</u>	<u>5,560,063</u>

The Component Securities are held by the Custodian in the margin account. Margin accounts represent cash borrowings or, in respect of positive balances, cash held in the margin account as collateral for short positions or awaiting investment/redemption. A daily margin interest rate corresponding to the relevant benchmark rate plus one per cent is charged by the Margin Account Provider to the Company due to cash borrowing costs resulting from obtaining exposure to the Component Security of the relevant index of such Series.

The following table shows the breakdown of margin accounts as at 30 June 2020:

Component Securities	Leverage	Cash borrowings for short positions	Cash collateral for short positions
		USD	USD
Apple Inc	3	217,087	-
Apple Inc	2	1,123,906	-
Advanced Micro Devices	2	195,227	-
Advanced Micro Devices	-1	-	394,198
Amazon.com Inc	3	228,759	-
Amazon.com Inc	2	3,801,829	-
Amazon.com Inc	-1	-	368,448
Apple Inc	-1	-	354,693
Alibaba group holding	2	191,922	-
Alibaba group holding	-1	-	404,050
Citigroup Inc	2	115,806	-
Salesforce.com Inc	2	79,081	-
Salesforce.com Inc	3	164,965	-
Salesforce.com Inc	-1	-	371,350
Facebook Inc	2	669,576	-
Facebook Inc	3	196,016	-
Facebook Inc	-1	-	402,528
Alphabet Inc	3	356,832	-
Alphabet Inc	2	1,457,798	-
Balance carried forward		<u>8,798,804</u>	<u>2,295,267</u>

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

10 Amounts due to/from broker (continued)

The following table shows the breakdown of margin accounts as at 30 June 2020 (continued):

Component Securities	Leverage	Cash borrowings for short positions	Cash collateral for short positions
		USD	USD
Balance brought forward (from previous page)		8,798,804	2,295,267
Alphabet Inc	-1	-	399,470
Goldman Sachs Group Inc	2	253,080	-
JPMorgan Chase & Co	2	117,864	-
Microsoft Corporation	3	296,345	-
Microsoft Corporation	2	2,049,199	-
Microsoft Corporation	-1	-	362,004
Micron Technology Inc	2	217,655	-
Micron Technology Inc	-1	-	359,114
Netflix Inc	2	311,713	-
Netflix Inc	3	189,033	-
Netflix Inc	-1	-	369,059
Nvidia Corporation	3	164,519	-
Nvidia Corporation	2	1,120,110	-
Nvidia Corporation	-1	-	357,090
Tesla Inc	2	221,734	-
Tesla Inc	-1	-	191,150
Twitter Inc	2	142,973	-
Twitter Inc	-1	-	457,905
Uber Technologies Inc	2	136,379	-
Uber Technologies Inc	-1	-	464,220
Visa Inc	2	850,067	-
		<u>14,869,475</u>	<u>5,255,279</u>

11 Cash and cash equivalents

	30-Jun-20	30-Jun-19
	USD	USD
Cash at bank	-	35,956

12 Financial liabilities at fair value through profit or loss

	30-Jun-20	30-Jun-19
	USD	USD
Fair value on short exposure to Component Securities	2,629,730	-
ETP Securities issued	16,550,374	5,668,141
	<u>19,180,104</u>	<u>5,668,141</u>

ETP Securities issued for a particular Series are measured at fair value through profit or loss.

The Company's obligations under the financial liabilities issued are secured by the Component Securities and margin account balances as per notes 8 and 10 to the financial statements. The noteholders' recourse per Series is limited to the assets of that particular Series. Each Series has an option for early redemption.

All unrealised gains/(losses) on financial liabilities are primarily attributable to market risk arising from price movements in the Component Securities.

All ETP Securities in issue as at 30 June 2020 are listed on the London Stock Exchange out of which two of the ETP Securities are also listed in Cboe Europe.

The financial liabilities in issue at 30 June 2020 and 30 June 2019 are as follows:

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

12 Financial liabilities at fair value through profit or loss (continued)

Description	ISIN	Maturity date	Fair value	Nominal Amount	Fair value	Nominal Amount
			30-Jun-20 USD	30-Jun-20 USD	30-Jun-19 USD	30-Jun-19 USD
Leverage Shares 2x Alphabet ETP	IE00BF01VY89	5-Dec-67	1,457,528	1,116,000	351,864	411,660
Leverage Shares 2x Amazon ETP	IE00BF03XH11	5-Dec-67	3,802,232	973,000	1,085,654	942,180
Leverage Shares 2x Apple ETP	IE00BF03XJ35	5-Dec-67	1,124,148	349,400	451,230	504,600
Leverage Shares 2x Citigroup ETP	IE00BF03XL56	5-Dec-67	115,791	460,000	155,165	200,000
Leverage Shares 2x Facebook ETP	IE00BF03XP94	5-Dec-67	669,641	683,200	433,345	423,650
Leverage Shares 2x Goldman Sachs ETP	IE00BF03XR19	5-Dec-67	254,091	591,000	117,828	200,000
Leverage Shares 2x JPMorgan ETP	IE00BF03XW61	5-Dec-67	117,645	200,000	210,299	200,000
Leverage Shares 2x Microsoft ETP	IE00BF03XY85	5-Dec-67	2,049,375	483,800	875,378	529,300
Leverage Shares 2x Visa ETP	IE00BD09ZV33	5-Dec-67	849,679	393,000	422,321	200,000
Leverage Shares 2x Netflix ETP	IE00BD09ZW40	5-Dec-67	311,623	91,000	554,817	200,000
Leverage Shares 2x NVIDIA ETP	IE00BD09ZX56	5-Dec-67	1,017,225	594,000	672,027	1,182,780
Leverage Shares 2x Salesforce.com ETP	IE00BD09ZY63	5-Dec-67	78,990	38,000	338,213	200,000
Leverage Shares -1x Tesla ETP	IE00BKT6ZH01	7-Apr-70	190,965	200,000	-	-
Leverage Shares 2x Tesla ETP	IE00BK5BZY66	7-Apr-70	282,504	89,200	-	-
Leverage Shares 3x Apple ETP	IE00BK5BZS07	4-Jun-70	106,196	77,400	-	-
Leverage Shares 2x Advanced micro devices ETP	IE00BKT6ZG93	4-Jun-70	195,370	200,000	-	-
Leverage Shares -1x Advanced micro devices ETP	IE00BKT66Q62	4-Jun-70	393,942	200,000	-	-
Leverage Shares 3x Amazon ETP	IE00BK5BZQ82	4-Jun-70	107,177	79,400	-	-
Leverage Shares -1x Amazon ETP	IE00BKT66S86	4-Jun-70	368,193	200,000	-	-
Leverage Shares 1x Apple ETP	IE00BKTWZ451	4-Jun-70	354,447	200,000	-	-
Leverage Shares 2x Alibaba ETP	IE00BK5C1C97	4-Jun-70	193,139	200,000	-	-
Leverage Shares -1x Alibaba ETP	IE00BKT66M25	4-Jun-70	403,790	200,000	-	-
Leverage Shares 3x Salesforce.com ETP	IE00BK5BZT14	4-Jun-70	87,515	74,000	-	-
Leverage Shares -1x Salesforce.com ETP	IE00BKTWZ568	4-Jun-70	371,094	200,000	-	-
Leverage Shares 3x Facebook ETP	IE00BK5C1B80	4-Jun-70	99,265	109,000	-	-
Leverage Shares -1x Facebook ETP	IE00BKTWZ675	4-Jun-70	402,267	200,000	-	-
Leverage Shares 3x Alphabet ETP	IE00BK5BZX59	4-Jun-70	185,276	200,000	-	-
Leverage Shares -1x Alphabet ETP	IE00BKTW9N20	4-Jun-70	399,209	200,000	-	-
Leverage Shares 3x Microsoft ETP	IE00BK5BZV36	4-Jun-70	145,441	112,800	-	-
Leverage Shares -1x Microsoft ETP	IE00BKTW9M13	4-Jun-70	361,751	200,000	-	-
Balance carried forward			16,495,509	8,914,200	5,668,141	5,194,170

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

12 Financial liabilities at fair value through profit or loss (continued)

The financial liabilities in issue at 30 June 2020 and 30 June 2019 are as follows (continued):

Description	ISIN	Maturity date	Fair value	Nominal Amount	Fair value	Nominal Amount
			30-Jun-20 USD	30-Jun-20 USD	30-Jun-19 USD	30-Jun-19 USD
Balance brought forward (from previous page)			16,495,509	8,914,200	5,668,141	5,194,170
Leverage Shares 2x Micron Technology ETP	IE00BKT66K01	4-Jun-70	217,794	200,000	-	-
Leverage Shares -1x Micron Technology ETP	IE00BKT66P55	4-Jun-70	358,860	200,000	-	-
Leverage Shares 3x Netflix ETP	IE00BK5BZW43	4-Jun-70	95,208	78,000	-	-
Leverage Shares -1x Netflix ETP	IE00BKTWZ782	4-Jun-70	368,802	200,000	-	-
Leverage Shares 3x NVIDIA ETP	IE00BK5BZR99	4-Jun-70	84,476	69,400	-	-
Leverage Shares -1x NVIDIA ETP	IE00BKTW5674	4-Jun-70	356,841	200,000	-	-
Leverage Share 2x Twitter ETP	IE00BKT66J95	4-Jun-70	143,158	200,000	-	-
Leverage Share -1x Twitter ETP	IE00BKT66N32	4-Jun-70	457,631	200,000	-	-
Leverage Share 2x Uber ETP	IE00BKT66L18	4-Jun-70	137,896	200,000	-	-
Leverage Share -1x Uber ETP	IE00BKT66R79	4-Jun-70	463,929	200,000	-	-
			<u>19,180,104</u>	<u>10,661,600</u>	<u>5,668,141</u>	<u>5,194,170</u>

The arrangement fee rate for all the ETP Securities is 0.75% per annum and there has been no change since the Programme has been established.

The return on each Series of ETPs is linked to the daily performance of the applicable index for such Series. The redemption amount of the ETPs is derived from the liquidation of the collateral assets, as purchased or sold in accordance with the leverage factor of such Series of ETPs. Each Series of ETPs constitutes limited recourse obligations of the Company, secured on and payable solely from the assets constituting the Security in respect of such Series.

13 Other payables

	30-Jun-20 USD	30-Jun-19 USD
Other payables to Arranger	-	31,757
Interest payable	17,451	159,750
VAT payable to Arranger	16,077	13,852
Fees payable to Arranger	9,905	3,188
Corporation tax payable	-	(201)
	<u>43,433</u>	<u>208,346</u>

14 Payable to GWM Limited

Where new capital is being invested into an ETP there may be a timing gap between the trade date and the receipt of the proceeds from the ETP issuance (normally T+3) and the Margin Account Provider may not provide the funding required to enable the portfolio administrator to execute the trade and maintain the economic exposure to the relevant index. When such events occurred during the year, GWM Limited provided the necessary funding to facilitate the trade. The recourse of GWM Limited is limited to the proceeds of the ETP issuance. For the period when GWM Limited provided additional resources, the risks are borne by the GWM Limited.

The balance payable to GWM Limited at the year end is USD 993,051 (2019: USD nil). This balance is a related party transaction, as it has the same ultimate beneficial owner as the Arranger. This payable amount is not subject to interest and is repayable within 1 year.

15 Called up share capital presented as equity

	30-Jun-20 USD	30-Jun-19 USD
<i>Authorised:</i>		
25,000 ordinary shares of EUR1 each	<u>26,703</u>	<u>26,703</u>
<i>Issued and called up:</i>		
25,000 ordinary shares of EUR1 each	<u>26,703</u>	<u>26,703</u>

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

16 Ownership of the Company

The issued shares are held by Monument Trustees Limited holding 25,000 shares. All shares are held in trust for charity under the terms of a declaration of trust.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings. No dividends were paid during the financial year or proposed by the Directors at the reporting date (2019: USD Nil).

The share trustees have appointed a Board 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 the control of the day to day activities of the Company rests with the Board.

17 Related party transactions including transactions with Administrator and Directors

Transactions with Administrator and Directors

Neil Fleming is also a Director of the Company's arranger, Leverage Shares Management Company Limited.

Apex IFS Limited provides services such as accounting and reporting, company secretarial and other administration services to the Company. Lisa Hand is both an employee of Apex IFS Limited and a Director of the Company.

Transactions with Arranger

Leverage Shares Management Company Limited provides arrangement services to the Company. The Company incurred fees for such services amounting to USD 59,386 (2019: USD 46,141) during the financial year ended 30 June 2020. In return for this, Leverage Shares Management Company Limited pays all operating expenses as described in note 6 to the financial statements. As at 30 June 2020, the balance payable to Leverage Shares Management Company Limited was USD 79,243 (2019: USD 48,797).

Transactions with Portfolio Administrator

A director and ultimate shareholder of the Arranger, Jose Gonzalez, is also a director and ultimate shareholder of GWM Limited. GWM Limited acts as portfolio administrator and broker dealer of record for the Company. Balances with GWM Limited are disclosed in note 14 to the financial statements.

Other than the above, there were no related party transactions during the financial year under review.

No director of the Company held any ETPs as at 30 June 2020 and 2019 and/or during the financial year.

18 Financial risk management

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has attempted to match the properties of its financial liabilities to its financial assets, to avoid significant elements of risk generated by mismatches of investment performance against its obligations together with any maturity or interest rate risk. The Company uses the net proceeds of the issuance of ETPs to invest in Component Securities. The Component Securities (including cash held as collateral) for each Series of ETPs will produce net cash flows to service all the Company's payment obligations in respect of that Series. The Company mitigates its exposure to market risk (interest rate risk, currency risk and price risk) and liquidity risk. However, the security holders are still exposed to these risks and the risks are not managed by the Company as the investors have entered the ETP program for the purpose of obtaining exposure to these risks. This economic hedge is executed through the Company's activities as described above and through its agreements with its counterparties. Certain of the Company's daily administrative activities and processes are outsourced to Apex IFS Limited and Link ASI Limited acts as Issuing and Paying Agent. Refer to "Operational risk" section for more details.

The risk profile of the Company is such that market, credit, liquidity and other risks of the Component Securities are borne fully by the holders of ETPs issued. The ETPs issued are initially recorded at the value of the net proceeds received and are carried as financial liabilities at fair value through profit or loss. The ultimate amount to be repaid to the ETP holders will depend on the proceeds from the related Component Securities (including cash held as collateral). All substantial risks and rewards associated with the performance of the Component Securities are ultimately borne by the ETP holders. Therefore, any change in risk variables would not affect the equity or the results of the Company.

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

18 Financial risk management (continued)**Risk management framework (continued)**

The Company, and ultimately the holders of the ETP Securities, have exposure to the following risks from its use of financial instruments:

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

(a) Market risk

The Company's liabilities in respect of the ETP Securities issued is referenced to various equity securities and is managed by the Company by investing in Component Securities which match the liability created by the issue of ETPs and margin account funding.

(i) Interest rate risk

As the Company has invested in Component Securities to match the ETPs and margin account in issue there is deemed to be no interest rate risk to the Company.

Sensitivity analysis

Any change in the benchmark rate for the margin account will be offset by a change in the valuation of the ETP Securities. The ETP Security value includes cash borrowing costs. This is the finance expense on the margin account. The finance expense on the margin account equates to a daily margin interest rate corresponding to the relevant benchmark rate plus one per cent and as a result is floating in nature. See table below for sensitivity analysis in relation to increase/decrease of the relevant benchmark of 100bps on financial liabilities.

	Interest Expense USD	Impact of 100bps increase USD	Impact of 100bps decrease USD
30 June 2020	174,089	106,616	106,616
30 June 2019	202,175	62,509	62,509

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the Company's activity is the investment in Component Securities whose base currency matches the base currency of the ETPs and margin account, this investment activity creates no currency risk for the Company. As at 30 June 2020, the Company is owed EUR 26,703 from Leverage Shares LLC (2019: Eur 28,450). As the balance is minimal, the Directors are satisfied that the Company faces minimal currency risk and thus have not included any sensitivity analysis in these financial statements.

(iii) Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its Company or all factors affecting all instruments traded in the market. The Company does not consider price risk to be a significant risk to the Company as any fluctuation in the value of financial assets at fair value through profit or loss held by the Company will be offset by movements in the fair value of the issued ETP Securities.

The underlying securities are all listing on stock exchanges in the US. The breakdown by industry of the underlying securities is as follows:

	30-Jun-20 %	30-Jun-19 %
Information Technology	70	67
Consumer Discretionary	22	8
Automobile	5	-
Financials	3	25
	100	100

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

18 Financial risk management (continued)**(a) Market risk (continued)***(iii) Price risk (continued)**Sensitivity analysis*

Any changes in the values of the Component Securities 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 ETPs issued by the Company. However an increase in the share price will cause the cash that is posted as collateral to be used as margin to increase but the value of the ETP Securities will go down. If there was a 5% increase in the value of the Component Securities to USD 30,238,368 (2019: USD 11,926,390), the value of the ETPs issued would increase by USD 959,005 (2019: USD 596,320) to USD 20,139,109 (2019: USD 6,244,156). If there was a 5% decrease in the value of the Component Securities to USD 27,358,524 (2019: USD 10,790,544), the value of the ETPs issued would decrease by USD 959,005 (2019: USD 596,320) to USD 18,221,099 (2019: USD 5,108,856).

(b) Credit risk

Credit/Counterparty risk refers to the risk that the Custodian will default on its contractual obligations resulting in the Company being unable to make payment of amounts due to the ETP Securities holders or collect the amounts due from broker. Accordingly, the Company and the ETP Securities holders are exposed to the creditworthiness of the Custodian.

At the reporting date, the Company's financial assets at fair value through profit or loss were concentrated in the following asset types:

	30-Jun-20	30-Jun-19
	USD	USD
Component Securities	28,798,446	11,358,467
Amounts Due from Broker	6,160,974	41,042

The broker and the Custodian for the Component Securities, held on 30 June 2020 is Interactive Brokers LLC. Interactive Brokers LLC has a BBB+ (2019: BBB+) Outlook Positive rating from Standard and Poor's. The Custodian will identify in its own books that the Component Securities belong to the Company.

(c) Liquidity risk

Liquidity risk is the risk that the Company may be unable to fulfil its obligations, whether expected or unexpected. The maturity date of the ETP Securities has been disclosed in note 12 to the financial statements. ETP Securities cannot be issued without a matching investment in a Component Security being put in place. ETPs can be issued and redeemed daily, therefore this is the earliest maturity date for the purpose of the maturity analysis below.

The ability of the Company to generate enough arranger fees for Leverage Shares Management Company Limited to fund the Company's operational expenses on a long term basis is impacted by the value of the Company's investment in Component Securities which is in turn principally impacted by investor appetite for the ETPs and movements in the market value of the Component Securities.

Contractual undiscounted cashflows

The return on each Series of ETP Securities will be linked to the daily performance of the applicable Index for such Series, which in turn will be linked to the performance of the Component Security underlying that index. The redemption amount of the ETP Securities will be derived from the liquidation of the collateral assets, as purchased or sold in accordance with the Leverage Factor of such Series of ETP Securities. The amount payable on redemption of the ETP Securities will depend on the liquidation of the collateral assets held in the margin account.

The following are the earliest contractual maturities of financial assets and financial liabilities:

30-Jun-20	Carrying Amount	Less than one year	One to five years	More than five years
	USD	USD	USD	USD
Financial assets at fair value through profit or loss	28,798,446	28,798,446	-	-
Amounts due from broker	6,160,974	6,160,974	-	-
Other receivables	154,008	154,008	-	-
	35,113,428	35,113,428	-	-
Financial liabilities at fair value through profit or loss	19,180,104	19,180,104	-	-
Amounts due to broker	14,869,475	14,869,475	-	-
Other payables	43,433	43,433	-	-
Payable to GWM Limited	993,051	993,051	-	-
	35,086,063	35,086,063	-	-

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

18 Financial risk management (continued)**(c) Liquidity risk (continued)**

The following are the earliest contractual maturities of financial assets and financial liabilities (continued):

30-Jun-19	Carrying Amount USD	Less than one year USD	One to five years USD	More than five years USD
Financial assets at fair value through profit or loss	11,358,467	11,358,467	-	-
Other receivables	69,492	69,492	-	-
Cash and cash equivalents	35,956	35,956	-	-
	<u>11,463,915</u>	<u>11,463,915</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss	5,668,141	5,668,141	-	-
Amounts due to broker	5,560,063	5,560,063	-	-
Other payables	208,346	208,346	-	-
	<u>11,436,550</u>	<u>11,436,550</u>	<u>-</u>	<u>-</u>

(d) 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 to corporate behaviour.

Operational risks arise from all the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in note 1. Certain management and administration functions are outsourced to Apex IFS Limited and Leverage Shares Management Company Limited.

The Company is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of collateral held in custody occasioned by the insolvency or negligence of the Custodian. Although an appropriate legal framework is in place that reduces the risk of loss of value of the securities held by the Custodian, in the event of its failure, the ability of the Company to transfer the securities might be impaired.

(e) Fair Values*Fair value measurement principles of Component Securities*

The fair values of the Component Securities are their listed price on the recognised stock exchanges in the United States of America.

Fair value measurement principles of ETP Securities

The ETP Securities are valued independently of the Company by a calculation agent using readily available, observable input.

The ETP value in respect of a Series of ETPs tracks the value of the specified Component Security and is calculated in accordance with the following:

On the issue date of each Tranche, the ETP Security value will be equal to the issue price of the ETP Security. On any valuation date thereafter, the ETP Security value is calculated as the ETP Security value on the immediately preceding valuation date adjusted by:

- the change in the value of the Component Securities since such preceding Valuation Date (as referenced to on the applicable stock exchange), less
- any cash borrowing costs, cash lending revenues, stock borrowing costs, revenues on collateral or costs of transaction taxes in respect of a Series of ETP Securities resulting from obtaining leveraged or short exposure to the Component Security (as described in the ETP agreement, using market observable inputs), minus
- applicable fees (as disclosed in the ETP agreement).

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

18 Financial risk management (continued)**(e) Fair Values (continued)**

The fair value of financial instruments carried at fair value is determined according to the following hierarchy:

- Level 1: Financial instruments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. Quoted prices for these instruments are not adjusted. The Component Securities held by the Company are classified as Level 1.
- Level 2: Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 financial instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The ETPs issued by the Company are classified as Level 2. Refer to note 2c for determining the fair value of financial instruments.
- Level 3: Financial instruments classified within level 3 have significant unobservable inputs, as they trade infrequently. Pricing inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value, if applicable.

The Company's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the last day of the accounting period. There were no transfers during the financial year between levels of the fair value hierarchy for either the financial assets or the financial liabilities, which are both recorded at fair value. At the reporting date the collateral assets are classified as Level 1, as a quoted price is available and the ETP Securities are classified as Level 2 as all inputs are observable.

30-Jun-20	Level 1 Quoted price USD	Level 2 Valuation USD	Level 3 Valuation USD	Net Total USD
<i>Financial assets at fair value</i>				
Component Securities	28,798,446	-	-	28,798,446
	<u>28,798,446</u>	<u>-</u>	<u>-</u>	<u>28,798,446</u>
<i>Financial liabilities at fair value</i>				
ETP Securities	-	16,550,374	-	16,550,374
Fair value on short exposure to Component Securities	2,629,730	-	-	2,629,730
	<u>2,629,730</u>	<u>16,550,374</u>	<u>-</u>	<u>19,180,104</u>
30-Jun-19	Level 1 Quoted price USD	Level 2 Valuation USD	Level 3 Valuation USD	Net Total USD
<i>Financial assets at fair value</i>				
Component Securities	11,358,467	-	-	11,358,467
	<u>11,358,467</u>	<u>-</u>	<u>-</u>	<u>11,358,467</u>
<i>Financial liabilities at fair value</i>				
ETP Securities	-	5,668,141	-	5,668,141
	<u>-</u>	<u>5,668,141</u>	<u>-</u>	<u>5,668,141</u>

Accounting categorisation and fair values of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities not measured at fair values recognised in the financial statements approximate their fair values as these are considered short term in nature and are not considered to be realised or settled at values different from their carrying amounts.

Notes to the financial statements (continued)

For the financial year ended 30 June 2020

18 Financial risk management (continued)**(f) Offsetting financial asset and financial liabilities**

The Company does not offset financial assets and financial liabilities. These are presented separately in the Statement of financial position.

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

Financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar agreements:

30-Jun-20	Gross amount of recognised financial assets and financial liabilities	Amount of recognised financial assets and financial liabilities set off in the statement of financial	Net amount of recognised financial assets and financial liabilities	Financial instruments sold	Net Amount
	USD	USD	USD	USD	USD
Financial assets at fair value through profit or loss	28,798,446	-	28,798,446	(14,869,475)	13,928,971
Financial liabilities at fair value through profit or loss	19,180,104	-	19,180,104	-	19,180,104
30-Jun-19	Gross amount of recognised financial assets and financial liabilities	Amount of recognised financial assets and financial liabilities set off in the statement of financial	Net amount of recognised financial assets and financial liabilities	Financial instruments sold	Net Amount
	USD	USD	USD	USD	USD
Financial assets at fair value through profit or loss	11,358,467	-	11,358,467	(5,560,063)	5,798,404
Financial liabilities at fair value through profit or loss	5,668,141	-	5,668,141	-	5,668,141

19 Subsequent events

There has been no significant subsequent events after the financial year up to the date of signing this report that require disclosure and/or adjustment to the financial statements.

20 Capital management

For the purpose of the Company's capital management, capital includes issued share capital. The primary objective of the Company's capital management is to maintain shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions. In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to debt securities (i.e. the ETPs). There have been no breaches of any covenants in the current financial year. No changes were made to the objectives, policies or processes for managing capital since the beginning of the financial year.

21 Commitments and Contingencies

The Company had no commitments or contingencies as at 30 June 2020 (2019: none).

22 Approval of financial statements

The Directors authorised these financial statements for issue on 30th October 2020.