ETFS Equity Securities Limited

Registered No: 112019

Report and Financial Statements for the Year ended 31 December 2015

Contents

Management and Administration

Directors
Graham J Tuckwell – Chairman
Christopher J M Foulds
Graeme D Ross
Joseph L Roxburgh

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The directors of ETFS Equity Securities Limited ("ESL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2015.

Directors

The names and particulars of the directors of the Company during and since the end of the financial year are:

Graham J Tuckwell - Chairman	
Christopher J M Foulds	(Appointed 20 October 2015)
Graeme D Ross	
Joseph L Roxburgh	
Mark K Weeks	(Resigned 20 October 2015)

Directors' Interests

The following table sets out the directors' interests in Ordinary shares as at the date of this report:

Director	***Ordinary Shares of Nil Par Value***
Graham J Tuckwell (as ultimate controlling party of ETF Securities Limited ("ETFSL"), the ultimate parent company)	2

Principal Activities

The Company's principal activity is the issue and listing of Short Equity Securities and Leveraged Equity Securities ("Equity Securities"), which allow investors to gain three times daily leveraged longer dated or three times daily leveraged short exposure to underlying equity benchmarks by tracking Leveraged Equity Indices or Short Equity Indices respectively (the "Leveraged Equity Indices" or "Short Equity Indices" collectively referred to as "Equity Indices"). The Company earns an administration allowance (the "Administration Allowance") and licence allowance (the "Licence Allowance") based upon the number of Equity Securities in issue. These fees are expressed as an annual percentage, calculated on a daily basis and are reflected in the Net Asset Value ("NAV") of the Securities on a daily basis, and paid monthly in arrears.

Equity Securities are backed by derivative contracts ("Equity Contracts") which track the relevant Equity Index (less fees, expenses and adjustments), with terms corresponding to the terms of the Equity Securities. The Equity Contracts provide the Issuer with matching exposure to movements in Equity Indices without the requirement to purchase equities or to trade in equity futures contracts.

Each time Equity Securities are issued or redeemed, matching Equity Contracts between the Company and an Equity Contract Counterparty are created or cancelled by the Company. The Company has entered into a Facility Agreement with Société Générale, its Equity Contract Counterparty, enabling the Company to create and cancel Equity Contracts on an on-going basis.

The Company has entered into a service agreement with ETFS Management Company (Jersey) Limited ("ManJer" or the "Manager"), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company (including marketing) as well as the payment of costs relating to the listing and issuance of Equity Securities. In return for these services, the Company pays ManJer an amount equal to the Administration Allowance, Licence Allowance and the creation and redemption fees earned.

Review of Operations

The most recent rollover prospectus was issued on 24 September 2015. During the year, the Company had the following number of classes, in aggregate, of Equity Securities in issue and admitted to trading on the following exchanges:

	London Stock Exchange	Borsa Italiana	Deutsche Börse
Short Equity Securities	1	6	2
Leveraged Equity Securities	1	6	2
Total Equity Securities	2	12	4

As at 31 December 2015, the fair value of assets under management amounted to USD 102.6 million (2014: USD 22.9 million). The Company recognises its financial assets (Equity Contracts) and financial liabilities (Equity Securities) at fair value in the Statement of Financial Position.

During the year, the Company generated income from creation and redemption fees, and Administration Allowance and Licence Allowance as follows:

	2015 USD	2014 USD
Creation and Redemption Fees	-	-
Administration Allowance and Licence Allowance	439,265	66,622
Total Fee Income	439,265	66,622

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the Administration Allowance and Licence Allowance and creation and redemption fees, which, after taking into account other operating income and expenses, resulted in an operating result for the year of USD Nil (2014: USD Nil).

The gain or loss on the valuation of Equity Securities and Equity Contracts is recognised in the Statement of Profit or Loss and Other Comprehensive Income in line with the Company's accounting policy.

The Company has entered into contractual obligations to trade Equity Securities at set prices on each trading day. These prices are based on an agreed formula published in the prospectus, and are equal to the published net asset value ("NAV") of each class of Equity Security.

IFRS 13 requires the Company to identify the principal market and to utilise the available market price within that principal market. The directors consider that the stock exchanges where the Equity Securities are listed to be the principal markets and as a result the fair value of the Equity Securities is the on-exchange price as quoted on those stock exchanges. As a result of the difference in valuation methodology between Equity Contracts and Equity Securities there is a mis-match between accounting values, and the results of the Company reflect a gain or loss on the difference between the agreed formula price of the Equity Contracts and the market price of Equity Securities. This gain or loss would be reversed on a subsequent redemption of the Equity Securities and cancellation of the corresponding Equity Contracts. This is presented in more detail in note 7 to these financial statements.

Going Concern

The nature of the Company's business dictates that the outstanding Equity Securities may be redeemed at any time by the holder and in certain circumstances may be compulsorily redeemed by the Company. As the redemption of Equity Securities will always coincide with the redemption of a corresponding amount and value of Equity Contracts, no liquidity risk is considered to arise. All other liabilities of the Company are met by ManJer; therefore the directors consider the Company to be a going concern.

Future Developments

The board of directors (the "board") are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or the attached financial statements.

Risk Management

Each Security comprises a debt instrument whose redemption price is linked directly to the price of the underlying index. The Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the Equity Contracts attribute to the class of securities they hold and not to the Company. In addition, since any such price movements are wholly attributable to the Security holders, the Company will have no residual exposure to price movements of the Equity Contracts. From a commercial perspective the gains or losses on the liability represented by the Securities are matched economically by corresponding losses or gains attributable to the Equity Contracts (see detail on page 3 regarding the accounting mis-match). The Company does not retain any net gains or losses or net risk exposures. Further details surrounding the value of Equity Securities and the Equity Contracts are disclosed in note 11.

Movements in the price of the underlying index, and thus the value of the Equity Securities, may vary widely which could have an impact on the demand for the Equity Securities issued by the Company.

Dividends

There were no dividends declared or paid in the year (2014: GBP Nil). It is the Company's policy that dividends will only be declared when the directors are of the opinion that there are sufficient distributable reserves.

Employees

The Company does not have any employees. It is the Company's policy to use the services of specialist subcontractors or consultants as far as possible.

Directors' Remuneration

No director has a service contract with the Company and details of the directors' remuneration which has been paid by ManJer on behalf of the Company for the year is disclosed below.

	2015 GBP	**2014 GBP**
Graham J Tuckwell	Nil	Nil
Christopher J M Foulds	Nil	Nil
Graeme D Ross	7,500	7,500
Joseph L Roxburgh	Nil	Nil
Mark K Weeks	Nil	Nil

Auditor

Following a competitive tender process during the year, Deloitte LLP resigned as auditor of the Company and KPMG Channel Islands Limited was appointed in their place on 4 December 2015. A resolution to reappoint KPMG Channel Islands Limited as the auditor of the Company will be proposed at the next meeting of the directors.

Corporate Governance

There is no standard code of corporate governance in Jersey. The operations, as previously described in the directors' report, are such that the directors do not consider the Company is required to voluntarily apply the UK Corporate Governance Code.

As the board of directors (the "board") is small there is no nomination committee and appointments of new directors are considered by the board as a whole. The board does not consider it appropriate that directors should be appointed for a specific term. Furthermore the structure of the board is such that it is considered unnecessary to identify a senior non-executive director.

The constitution of the board is disclosed above. The directors are either members of the board of the ultimate parent company, ETFSL, employees within the ETFSL group or members of the board of the Company's Administrator, R&H Fund Services (Jersey) Limited ("R&H"), and will continue to have such a composition of directors beyond the next meeting of the directors.

The board meet as is required by the operations of the Company, but at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review.

Internal Control

During the year the Company did not have any employees or subsidiaries, and there is no intention that this will change. The Company, being a special purpose company established for the purpose of issuing Equity Securities, has not undertaken any business, save for entering into the required documents and performing the obligations and exercising its rights in relation to the issuance and redemption of Equity Securities, since its incorporation. The Company does not intend to undertake any business other than issuing and redeeming Equity Securities and performing the obligations and exercising its rights in relation thereto.

The Company is dependent upon ManJer to provide management and administration services to it. ManJer is licensed under the Financial Services (Jersey) Law 1998 to conduct classes U, V and Z of Fund Services Business. ManJer has outsourced the administration services to a regulated service provider in Jersey, R&H. Documented contractual arrangements are in place with the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an on-going basis by the board through their review of periodic reports.

ManJer provides management and other services to both the Company and other companies issuing commodity based and index tracking securities.

The board, having reviewed the effectiveness of the internal control systems of ManJer and R&H, and having a regard to the role of its external auditor, does not consider that there is a need for the Company to establish its own internal audit function.

Audit Committee

The board has not established a separate audit committee; instead the board meets to consider the financial reporting by the Company, the internal controls, and relations with the external auditor. In addition the board reviews the independence and objectivity of the auditor.

Christopher JM Foulds
Director
Jersey
25 April 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the directors confirm that to the best of their knowledge that:

- the financial statements for the year ended 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by law and in accordance with International Financial Reporting Standards as issued by the IASB; and
- the Directors' report gives a fair view of the development of the Company's business, financial position and the important events that have occurred during the year and their impact on these financial statements.

The principal risks and uncertainties faced by the Company are disclosed in note 11 of these financial statements.

By order of the board

Christopher JM Foulds
Director
25 April 2016

We have audited the financial statements of ETFS Equity Securities Limited for the year ended 31 December 2015 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Steven Hunt
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognized Auditor
37 Esplanade
St. Helier, Jersey
25 April 2016

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2015 USD	2014 USD
Revenue	3	439,265	66,622
Expenses	3	(439,265)	(66,622)
Operating Result	3	**-**	**-**
Net Loss Arising on Contractual and Fair Value of Equity Contracts	6	(11,572,965)	(2,474,658)
Net Gain Arising on Fair Value of Equity Securities	7	11,316,332	2,362,447
Result and Total Comprehensive Income for the Year		**(256,633)**	**(112,211)**
[1] Adjustment from Market Value to Contractual Formula Price (as set out in the prospectus) of Equity Securities	2	256,633	112,211
Adjusted Result and Total Comprehensive Income for the Year	7	**-**	**-**

The directors consider the Company's activities to be continuing.

[1] The definition of non-statutory adjustments is set out on page 15. This represents the movement in the difference between the agreed formula price of the Equity Contracts and the market price of Equity Securities.

The notes on pages 12 to 22 form part of these financial statements

Statement of Financial Position

	Notes	As at 31 December 2015 USD	2014 USD
Current Assets			
Cash and Cash Equivalents		315,518	-
Trade and Other Receivables	5	173,932	66,625
Equity Contracts	6	102,646,044	22,914,259
Total Assets		**103,135,494**	**22,980,884**
Current Liabilities			
Equity Securities	7	103,014,888	23,026,470
Trade and Other Payables	8	489,447	66,622
Total Liabilities		**103,504,335**	**23,093,092**
Equity			
Stated Capital	9	3	3
Revaluation Reserve		(368,844)	(112,211)
Total Equity		**(368,841)**	**(112,208)**
Total Equity and Liabilities		**103,135,494**	**22,980,884**

The financial statements on pages 8 to 22 were approved and authorised for issue by the board of directors and signed on its behalf on 25 April 2016.

Christopher JM Foulds
Director

The notes on pages 12 to 22 form part of these financial statements

Statement of Cash Flows

	Year ended 31 December	
	2015	2014
	USD	USD
Operating Result for the Year	**-**	**-**
Changes in Operating Assets and Liabilities		
Increase in Receivables	(107,307)	(66,622)
Increase in Payables	422,825	66,622
Cash Generated from Operations	315,518	-
Cash Flows from Financing Activities		
Dividends Paid	-	-
Net Cash Used in Financing Activities	-	-
Net Increase in Cash and Cash Equivalents	**315,518**	**-**
Cash and Cash Equivalents at the Beginning of the Year	-	-
Net Increase in Cash and Cash Equivalents	315,518	-
Cash and Cash Equivalents at the End of the Year	**315,518**	**-**

Equity Securities are issued or redeemed by receipt/transfer of Equity Contracts and have been netted off in the Statement of Cash Flows.

The notes on pages 12 to 22 form part of these financial statements

Statement of Changes in Equity

	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve[2] USD	Total Equity USD	Adjusted Total Equity USD
Opening Balance at 1 January 2014		3	-	-	3	3
Result and Total Comprehensive Income for the Year		-	(112,211)	-	(112,211)	(112,211)
Transfer to Revaluation Reserve	7	-	112,211	(112,211)	-	-
[3] Adjustment from Market Value to Contractual Formula Price (as set out in the prospectus) of Equity Securities	7	-	-	-	-	112,211
Balance at 31 December 2014		**3**	**-**	**(112,211)**	**(112,208)**	**3**
Opening Balance at 1 January 2015		3	-	(112,211)	(112,208)	3
Result and Total Comprehensive Income for the Year		-	(256,633)	-	(256,633)	(256,633)
Transfer to Revaluation Reserve	7	-	256,633	(256,633)	-	-
[3] Adjustment from Market Value to Contractual Formula Price (as set out in the prospectus) of Equity Securities	7	-	-	-	-	256,633
Balance at 31 December 2015		**3**	**-**	**(368,844)**	**(368,841)**	**3**

[2] This represents the difference between the agreed formula price of the Equity Contracts and the market price of Equity Securities.
[3] The definition of non-statutory adjustments is set out on page 15.

The notes on pages 12 to 22 form part of these financial statements

1. General Information

ETFS Equity Securities Limited (the "Company") is a company incorporated in Jersey. The address of the registered office is Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW.

The ETF Securities Group, of which the Company is a part, specialises in the development and issuance of Exchange Traded Products ("ETPs"). ETPs are secured, undated, limited recourse securities designed to track the value (before fees and expenses) of an underlying commodity, equity or currency index while providing market liquidity for the investor.

The purpose of the Company is to provide a vehicle that permits trading of the Equity Securities and the Company does not make gains from trading in the underlying assets themselves. The Equity Securities are issued under limited recourse arrangements whereby the Company has no residual exposure to price movements of the underlying assets, therefore from a commercial perspective gains and losses in respect of Equity Contracts will always be offset by a corresponding loss or gain on the Equity Securities. Further details regarding the risks of the Company are disclosed in note 11.

ETPs are not typically actively managed, are significantly lower in cost when compared to actively managed mutual funds and are easily accessible to investors. No trading or management of futures contracts is required by the Company because the Company has entered into arrangements to acquire an equivalent asset exposure to the underlying assets from a third party which fully hedges the exposure of the Company.

The Company is entitled to:

(1) an Administration Allowance and a Licence Allowance which are calculated by applying a fixed percentage to the contractual value of Equity Securities in issue on a daily basis; and
(2) creation and redemption fees on the issue and redemption of the Equity Securities.

No creation or redemption fees are payable to the Company when investors trade in the Equity Securities on a listed market such as the London Stock Exchange.

The Company has entered into a service agreement with ETFS Management Company (Jersey) Limited ("ManJer" or the "Manager"), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company (including marketing) as well as the payment of costs relating to the listing and issuance of Equity Securities. In return for these services, the Company pays ManJer an amount equal to the Administration Allowance, Licence Allowance and the creation and redemption fees earned. As a result there are no operating profits or losses recognised through the Company.

2. Accounting Policies

The main accounting policies of the Company are described below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

Critical Accounting Estimates and Judgements

The presentation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2. Accounting Policies (continued)

Critical Accounting Estimates and Judgements (continued)

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these financial statements is in respect of the valuation of Equity Contracts and Equity Securities held at fair value through profit or loss as disclosed in notes 6 and 7. Actual results could vary from these estimates.

Accounting Standards

(a) *Standards, amendments and interpretations effective on 1 January 2015:*

There are no new and revised Standards and Interpretations relevant to the Company that have been adopted in the current year to affect these financial statements. Details of other Standards and Interpretations adopted that have had no effect on these financial statements are set out in section (b).

The presentation of items of other comprehensive income has been modified accordingly.

(b) *Standards, amendments and interpretations effective on 1 January 2015 but not relevant to the Company during the period:*

- IAS 19 Employee Benefits

(c) *Standards, amendments and interpretations that are in issue but not yet effective:*

The Company has not adopted the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments (as amended in 2014) (effective for annual periods beginning on or after 1 January 2018)
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) (effective for annual periods beginning on or after 1 January 2016, and applicable only to prospective sale or contribution of assets)
- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2016, and applicable only to prospective acquisitions in which the activities of the joint operations constitute businesses, as defined in IFRS 3)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- IAS 1 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (effective for annual periods beginning on or after 1 January 2016)
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (effective for annual periods beginning on or after 1 January 2016)
- IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRS (effective for annual periods beginning on or after 1 July 2016)

2. Accounting Policies (continued)

Accounting Standards (continued)

The directors intend to adopt IFRS 9 for the annual period beginning on 1 January 2018, and whilst the directors anticipate that these amendments may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, a detailed analysis has not been undertaken.

The directors do not expect the adoption of the remaining standards, amendments and interpretations that are in issue but not yet effective will have a material impact on the financial statements of the Company in future periods.

The directors have considered other standards and interpretations in issue but not effective and concluded that they would not have a material impact on the future financial periods when they become available.

Going Concern

The nature of the Company's business dictates that the outstanding Equity Securities may be redeemed at any time by the holder and in certain circumstances may be compulsorily redeemed by the Company. Generally, only security holders who have entered into an authorised participant agreement with the Company ("Authorised Participant") can submit applications and redemptions directly with the Company. As the redemption of Equity Securities will always coincide with the cancellation of a corresponding amount and value of Equity Contracts, no liquidity risk is considered to arise. All other liabilities of the Company are met by ManJer; therefore the directors consider the Company to be a going concern for the foreseeable future and have prepared the financial statements on this basis.

Equity Securities and Contracts

i) Issuance and Redemption

The Company has entered into a Facility Agreement with Société Générale to permit the Company to purchase and cancel Equity Contracts at prices corresponding to Equity Securities issued or redeemed on the same day. Each time an Equity Security is issued or redeemed by the Company a corresponding number and value of Equity Contracts will be purchased or cancelled from Société Générale.

Financial assets and liabilities will be recognised and de-recognised on the trade date.

ii) Pricing

The Equity Contracts will be priced by reference to the value of the relevant indices published by the relevant Equity Index Sponsor, a Multiplier calculated by the Company and agreed with Société Générale and the Adjustment Factor. The multiplier takes into account the daily accrual of the Administration Allowance, the Licence Allowance and the Swap Spread and Collateral Cost payable to the Equity Contract Counterparty. The Adjustment Factor will only be relevant in specific circumstances as outlined in the prospectus.

IFRS 13 requires the Company identify the principal market and to utilise the available market price within that principal market. The directors consider that the stock exchanges where the Equity Securities are listed to be the principal markets and as a result the fair value of the Equity Securities is the on-exchange price as quoted on those stock exchanges. The Equity Securities are priced using the closing mid-market price on the statement of financial position date.

Consequently a difference arises between the value of Equity Contracts (based on the agreed formula price) and Equity Securities (at market value) presented in the Statement of Financial Position. This difference is reversed on a subsequent redemption of the Equity Securities and cancellation of the corresponding Equity Contracts.

iii) Designation at fair value through Profit or Loss

Each Equity Security and Equity Contract comprises a financial instrument whose redemption price is linked to the performance of the relevant Equity Index.

2. Accounting Policies (continued)

Equity Securities and Contracts (continued)

iii) Designation at fair value through Profit or Loss (continued)

These instruments are designated at fair value through the profit or loss upon initial recognition. This is in order to enable gains or losses on both the Equity Securities and Equity Contracts to be recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Through the mis-matched accounting values, the results of the Company reflect a gain or loss which represents the movement in the cumulative difference between the agreed formula value of the Equity Contracts and the market price of Equity Securities. This gain or loss is transferred to a Revaluation Reserve which is non-distributable. The results of the Company are adjusted through the presentation of a non-statutory movement entitled 'Adjustment from Market Value to Contractual Formula Price (as set out in the prospectus) of Equity Securities'.

Equity Contracts and Securities Awaiting Settlement

The issue or redemption of Equity Securities, and the purchase or sale of Equity Contracts, is accounted for on trade date ("T"). Where settlement pricing is applied, the trade will not settle until T+2. Where trades are awaiting settlement at the period end, the monetary amount due to be settled is separately disclosed within the relevant assets and liabilities on the statement of financial position.

Revenue Recognition

Revenue is recognised to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Fees received for the issue and redemption of Equity Securities will be recognised at the date on which the transaction becomes legally binding. All other income and expenses will be recognised on an accruals basis.

Interest Income

Interest income is recognised on an accruals basis.

Cash and Cash Equivalents

Cash and cash equivalents include deposits held at call with banks.

Loans and Receivables

The loans and receivables are non-derivative financial assets with a fixed payment amount and are not quoted in an active market. After initial measurement the loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Gains and losses on loans and receivables which are impaired are recognised immediately through profit or loss.

Foreign Currency Translation

The presentational and functional currencies of the Company are both US Dollars ("USD").

Monetary assets and liabilities denominated in foreign currencies at the period end date will be translated at rates ruling at that date. creation and redemption fees will be translated at the average rate for the quarter in which they will be incurred. The resulting differences will be accounted for through profit or loss.

2. Accounting Policies (continued)

Segmental Reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess their performance. The CODM has been determined as the board of directors. A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company has not provided segmental information as the Company has only one business or product group, Equity Securities, and one geographical segment which is Europe. All information relevant to the understanding of the Company's activities is included in these financial statements.

3. Operating Result

Operating result for the year comprised:

	Year ended 31 December	
	2015	**2014**
	USD	**USD**
Creation and Redemption Fees	-	-
Administration Allowance	399,332	60,565
Licence Allowance	39,933	6,057
Total Revenue	**439,265**	**66,622**
Administration Allowance to ManJer	(439,265)	(66,622)
Total Operating Expenses	**(439,265)**	**(66,622)**
Operating Result	**-**	**-**

Audit Fees for the year of GBP 8,500 will be met by ManJer (2014: GBP 10,000).

4. Taxation

The Company is subject to Jersey Income Tax. The Jersey Income Tax rate applicable to the Company for the foreseeable future is zero percent.

5. Trade and Other Receivables

	As at 31 December	
	2015	**2014**
	USD	**USD**
Stated Capital	3	3
Administration Allowance and Licence Allowance	173,929	66,622
	173,932	**66,625**

The fair value of these receivables is equal to the carrying value.

6. Equity Contracts

	As at 31 December	
	2015	**2014**
	USD	**USD**
Change in Fair Value for the Year	**(11,572,965)**	**(2,474,658)**
Equity Contracts at Fair Value	**102,646,044**	**22,914,259**

As at 31 December 2015, there were no Equity Contracts awaiting the creation or redemption of Securities with trade dates before the year end and settlement dates in the following year.

7. Equity Securities

Whilst the Equity Securities are quoted on the open market, the Company's liability relates to its contractual obligations to trade at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published net asset values ("NAV") of each class of Equity Security. Therefore, the actual contractual issue and redemption of Equity Securities occur at a price that corresponds to gains or losses on the Equity Contracts. As a result the Company has no net exposure to gains or losses on the Equity Securities and Equity Contracts.

The Company measures the Equity Securities at their market value in accordance with IFRS 13 rather than their settlement value as described in the prospectus. The transferable value is deemed to be the prices quoted on stock exchanges or other markets where the Equity Securities are listed or traded. However Equity Contracts are valued based on the agreed formula (which corresponds to the published NAVs of each class of Equity Security).

The fair values and changes thereof during the year based on prices available on the open market as recognised in the financial statements are:

	As at 31 December	
	2015	**2014**
	USD	**USD**
Change in Fair Value for the Year	**11,316,332**	**2,362,447**
Equity Securities at Fair Value	**103,014,888**	**23,026,470**

The contractual redemption values and changes thereof during the year based on the contractual settlement values are:

	As at 31 December	
	2015	**2014**
	USD	**USD**
Change in Fair Value for the Year	**11,572,965**	**2,474,658**
Equity Securities at Contractual Redemption Value	**102,646,044**	**22,914,259**

The gain or loss on the difference between the agreed formula price of the Equity Contracts and the market price of Equity Securities would be reversed on a subsequent redemption of the Equity Securities and cancellation of the corresponding Equity Contracts.

7. Energy Securities (continued)

The mismatched accounting values are as shown below and represent the non-statutory adjustment presented in the Statement of Profit or Loss and Other Comprehensive Income:

	Year ended 31 December 2015 USD	2014 AUD
Net Gain Arising on Contractual and Fair Value of Equity Contracts	(11,572,965)	(2,474,658)
Net Loss Arising on Fair Value of Equity Securities	11,316,332	2,362,447
	(256,633)	**(112,211)**

As at 31 December 2015, there were no Equity Securities awaiting creation or redemption with trade dates before the year end and settlement dates in the following year.

8. Trade and Other Payables

	As at 31 December 2015 USD	2014 USD
Administration Allowance and Licence Allowance due to ManJer	**489,447**	**66,622**

The fair value of these payables is equal to the carrying value.

9. Stated Capital

	As at 31 December 2015 USD	2014 USD
2 Shares of Nil Par Value, Issued at GBP 1 Each	**3**	**3**

The Company has an unlimited capital of no par value shares.

All shares issued by the Company carry one vote per share without restriction and carry the right to dividends. All shares are held by ETFS Holdings (Jersey) Limited (“HoldCo”).

10. Related Party Disclosures

Entities and individuals which have a significant influence over the Company either through the ownership of HoldCo shares, or by virtue of being a director of the Company are related parties.

Administration Allowance and Licence Allowance expense to ManJer during the year:

	Year ended 31 December 2015 USD	2014 USD
Administration Allowance and Licence Allowance	**493,265**	**66,622**

10. Related Party Disclosures (continued)

The following balances were due to ManJer at year end:

	Year ended 31 December 2015 USD	2014 USD
Administration Allowance and Licence Allowance	**489,447**	**66,622**

As disclosed in the Directors' Report, ManJer paid Directors' Fees in respect of the Company of GBP 7,500 (2014: GBP 7,500).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the year, R&H charged ManJer Secretarial and Administration Fees in respect of the Company of GBP 29,000 (2014: GBP 39,000), of which GBP 7,250 (2014: GBP 9,750) was outstanding at the year end.

Graham J Tuckwell is a director of ETFSL, ManJer and HoldCo. Joseph L Roxburgh is a director of ManJer and HoldCo. Craig A Stewart is a director of ManJer. Christopher JM Foulds is the Compliance Officer of ManJer.

At 31 December 2015, USD 3 is receivable from HoldCo.

11. Financial Risk Management

The Equity Securities are subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. There can be no assurance that any appreciation in the value of securities will occur, and the capital value of an investor's original investment is not guaranteed. The value of investments may go down as well as up, and an investor may not get back the original amount invested.

The Company will be exposed to a number of risks arising from its activities. The information provided below is not intended to be a comprehensive summary of all the risks associated with the Equity Securities and investors should refer to the prospectus (as amended) for a detailed summary of the risks inherent in investing in the Equity Securities. Any data provided should not be used or interpreted as a basis for future forecast or investment performance.

The risk management policies employed by the Company to manage these are discussed below.

(a) Credit Risk

Credit risk primarily refers to the risk that Authorised Participants or the Equity Contract Counterparty will default on its contractual obligations resulting in financial loss.

The value of Equity Securities and the ability of the Company to repay the redemption price is dependent on the receipt of payment under the Equity Contracts from Société Générale and may be affected by the credit rating attached to Société Générale.

The obligations of Société Générale under the Equity Contracts rank only as an unsecured claim against Société Générale. To cover the credit risk under the Equity Contracts, Société Générale will be required to place an equivalent amount of collateral into a pledge account with The Bank of New York Mellon (Luxemburg) S.A. based on the total outstanding value of the Equity Contracts two business days before. In the event of default by Société Générale, the Company has rights over the amounts placed in this pledge account.

11. Financial Risk Management (continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due.

Generally, there is no liquidity risk to the Company because the maturity profile of the Equity Securities and Equity Contracts are matched, therefore, the Company does not have to wait for a longer-term contract to mature in order to pay its debts to ex-security holders. Furthermore, the terms of the facility agreement match the limits of the securities.

(c) Settlement Risk

Settlement risk primarily refers to the risk that an Authorised Participant or the Equity Contract Counterparty will default on its contractual obligations resulting in financial loss.

The directors believe that settlement risk would only be caused by the risk of the Company's trading counterparty not delivering cash, Equity Contracts or Equity Securities on the settlement date. The directors feel that this risk is mitigated as a result of the cash or Equity Securities settling through the CREST system. The system ensures that the transaction does not settle until both parties have fulfilled their contractual obligations.

Amounts outstanding in respect of positions yet to settle are disclosed in notes 6 and 7.

(d) Capital Management

The Company's principal activity is the issue and listing of Equity Securities. These Equity Securities are issued and cancelled as demand requires. The Company holds a corresponding number of Equity Contracts which matches the total liability of the Equity Securities issued. ManJer supplies or arranges the supply of all management and administration services to the Company and pays all management and administration costs of the Company. In return for these services the Company pays ManJer a fee, which under the terms of the service agreement is equal to the Administration Allowance, Licence Allowance and creation and redemption fees earned. The Company is not subject to any capital requirements imposed by a regulator and there were no changes in the Company's approach to capital management during the year.

As all Equity Securities on issue will be supported by an equivalent number of Equity Contracts held by Société Générale and the running costs of the Company will be paid by ManJer, the directors of the Company consider the capital management and its current capital resources are adequate to maintain the ongoing listing and issue of Equity Securities..

(e) Sensitivity Analysis

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the Company is exposed to at the reporting date, showing how comprehensive income and shareholders' equity would have been affected by a reasonably possible change to the relevant risk variable.

The Company's rights and liability in respect of Equity Contracts and Equity Securities, respectively, relates to its contractual obligations to trade at set prices on each trading day. As a result the Company's contractual and economic liability in connection with the issue of Equity Securities is matched by movements in corresponding Equity Contracts. Consequently, the Company does not have any net exposure to market price risk. Therefore, in the directors' opinion, no sensitivity analysis is required to be disclosed.

11. Financial Risk Management (continued)

(f) Market Risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Company's income or the value of its financial instruments held or issued.

i) Price Risk
The value of the Company's liability in respect of the Equity Securities fluctuates according to the performance of the underlying equity index and the risk of such change in price is managed by the Company by entering into corresponding Equity Contracts with Société Générale which match the liability. The Company, therefore, bears no financial risk from a change in the price of equities by reference to the futures price. Refer to note 7 for the further details regarding fair values.

However there is an inherent risk from the point of view of investors as the price of indices, and thus the value of the Equity Securities, may vary widely due to, amongst other things, changing supply or demand, government and monetary policy or intervention and global or regional political, economic or financial events.

The market price of Equity Securities is a function of supply and demand amongst investors wishing to buy and sell Equity Securities and the bid-offer spread that the market makers are willing to quote. This is highlighted in note 7, and below under the Fair Value Hierarchy.

ii) Interest Rate Risk
The Company does not have significant exposure to interest rate risk as neither the Equity Contracts or the Equity Securities bear any interest.

iii) Currency Risk
The directors do not consider the Company to have a significant exposure to currency risk arising from the current economic uncertainties facing a number of countries around the world as the gains or losses on the liability represented by the Equity Securities are matched economically by corresponding losses or gains attributable to the Equity Contracts.

(g) Fair Value Hierarchy

The levels in the hierarchy are defined as follows:

- Level 1 fair value based on quoted prices in active markets for identical assets.
- Level 2 fair values based on valuation techniques using observable inputs other than quoted prices within level 1.
- Level 3 fair values based on valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The Company is required to utilise the available market price as the Equity Securities are quoted and actively traded on the open market therefore Equity Securities are classified as Level 1 financial liabilities.

The Company's rights in respect of Equity Contracts relates to its contractual obligations to trade at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAVs of each class of Equity Security. Therefore, Equity Contracts are classified as level 2 financial assets, as the value is calculated using third party pricing sources supported by observable, verifiable inputs.

11. Financial Risk Management (continued)

(g) Fair Value Hierarchy (continued)

The categorisation of the Company's assets and (liabilities) are as shown below:

	Fair Value as at 31 December	
	2015	**2014**
	USD	**USD**
Level 1		
Equity Securities	**(103,014,888)**	**(23,026,470)**
Level 2		
Equity Contracts	**102,646,044**	**22,914,259**

There are no assets or liabilities classified in level 3. There were no reclassifications during the year.

12. Ultimate Controlling Party

The immediate parent company is HoldCo, a Jersey registered company. The ultimate controlling party is Graham J Tuckwell through his majority shareholding in ETFSL. ETFSL is the parent company of HoldCo.

13. Events Occurring After the Reporting Period

No significant events have occurred since the end of the reporting period up to the date of signing the Financial Statements which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2015 or on the results and cash flows of the Company for the year ended on that date.

The intelligent alternative.