ETFS HEDGED COMMODITY SECURITIES LIMITED

Registered No: 109413

Report and Financial Statements for the Year ended 31 December 2013

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ETFS HEDGED COMMODITY SECURITIES LIMITED

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Mr Graeme D Ross
Mr Mark Weeks
Mr Joseph L Roxburgh

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DIRECTORS' REPORT

The directors of ETFS Hedged Commodity Securities Limited ("HCSL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2013.

Directors

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

Mr Graham J Tuckwell - Chairman	
Mr Graeme D Ross	
Mr Joseph L Roxburgh	
Mr Craig A Stewart	(resigned 21 June 2013)
Mr Mark K Weeks	(appointed 21 June 2013)

Directors' Interests

The following table sets out the only director's interests in Ordinary Shares as at the date of this report:

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

Principal Activities

The Company's principal activity is the listing and issue of currency-hedged commodity securities ("Currency-Hedged Commodity Securities"). Currency-Hedged Commodity Securities are designed to enable Australian Dollar, Euro and Pound Sterling investors to gain exposure to a total return from an investment in individual commodities or baskets of commodities priced in US Dollars and to hedge such exposure against exchange rate movements between the US Dollar and the Australian Dollar, Euro or Pound Sterling, respectively. The Company has created and made available for issue 210 classes of Currency-Hedged Commodity Securities, each of which gives investors exposure to the daily change in movements in one of the DJ-UBS Commodity Indices. The Company earns management fees and a licence allowance based upon the number of Currency-Hedged Commodity Securities in issue. These fees are expressed as an annual percentage, calculated on a daily basis and reflected in the Net Asset Value ("NAV") of the securities on a daily basis, and paid monthly in arrears.

Currency-Hedged Commodity Securities are financial instruments designed to track the price of commodity futures, and give investors an exposure similar to that which could be achieved by managing a long fully cash collateralised unleveraged position in futures contracts of specific maturities, less applicable fees. However, unlike managing a futures position, Currency-Hedged Commodity Securities involve no need to roll from one futures contract to another, no margin calls, and no other brokerage or other costs in holding or rolling futures contracts (although Security Holders incur other costs in holding Currency-Hedged Commodity Securities). No trading or management of futures contracts is required by the Company.

Currency-Hedged Commodity Securities are backed by commodity contracts ("Commodity Contracts") with terms corresponding to the terms of Currency-Hedged Commodity Securities. The Issuer gains exposure to the movements in the DJ-UBS Commodity Indices by holding corresponding Commodity Contracts. Each time Currency-Hedged Commodity Securities are issued or redeemed, matching Commodity Contracts between the Company and a Commodity Contract counterparty are created or cancelled by the Company. The Company has entered into Facility Agreements with UBS AG ("UBS") and Merrill Lynch International ("Merrill Lynch"), its Commodity Contract counterparties, enabling the Company to create and cancel Commodity Contracts on an ongoing basis.

The price of each class of Currency-Hedged Commodity Security is calculated on a daily basis and reflects movements in the DJ-UBS Commodity Index relevant to that class since the previous day, adjusted by any applicable fees. Therefore, the return for a particular class of Currency-Hedged Commodity Security will primarily be based on the performance of the relevant DJ-UBS Commodity Index.

Principal Activities (continued)

Each Currency-Hedged Commodity Index is calculated by reference to the corresponding un-hedged Commodity Index and provides a hedge against movements in the exchange rate between the US Dollar and the currency of denomination of that Commodity Index, which is rebalanced on a daily basis. As the Company issues securities which provide exposure to the daily movements in one of the DJ-UBS Commodity Indices and the Company gains exposure to the movements in the DJ-UBS Commodity Indices with a hedge against movements in the relevant exchange rate by holding corresponding Commodity Contracts, the Company is not required to undertake any currency hedging activities.

The Company has entered into a service agreement with ETFS Management Company (Jersey) Limited ("ManJer"), whereby ManJer is responsible for advisory or consultancy services required by the Company, including advertising and all costs relating to the listing and issuance of securities. In return for these services, the Company pays ManJer an amount equal to the management fee and licence allowance and the creation and redemption fees. As a result, amounts in respect of the management fee, licence allowance and creation and redemption fees are transferred directly to ManJer and there are no cash flows through the Company.

Review of Operations

During the year, the Company had the following number of classes, in aggregate, of Currency-Hedged Commodity Securities in issue and admitted to trading on the following exchanges:

Security	London Stock Exchange	Borsa Italia	Deutsche Börse
Classic Hedged Commodity Securities	11	16	10
Forward Hedged Commodity Securities	3	2	-
Total Currency-Hedged Commodity Securities	14	18	10

As at 31 December 2013, the fair value of assets under management amounted to USD 25.4 million (2012: USD 52.2). The Company recognises its financial assets (Commodity Contracts) and financial liabilities (Currency-Hedged Commodity Securities) at fair value in the Statement of Financial Position.

During the year, the Company generated income from creation and redemption fees, management fee and licence allowance as follows:

	2013 USD	2012 USD
Creation and Redemption Fees	1,531	3,148
Management Fee and Licence Allowance	154,492	191,881
Total Fee Income	156,023	195,029

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the management fees and licence allowance and creation and redemptions fees, which, after taking into account other operating income and expenses, resulted in an operating result for the year of USD Nil (2012: USD Nil).

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

The Company adopted IFRS 13 during the year ended 31 December 2013. IFRS 13 requires the Company to utilise the available market price for the Currency-Hedged Commodity Securities as quoted on the open market.

The Company's rights in respect of Commodity Contracts relates to its contractual obligations to trade with certain counterparties 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 NAVs of each class of Currency-Hedged Commodity Security.

Review of Operations (continued)

As a result of the difference in valuation methodology between Commodity Contracts and Currency-Hedged Commodity 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 Commodity Contracts and the market price of Currency-Hedged Commodity Securities. This gain or loss would be reversed on a subsequent redemption of the Currency-Hedged Commodity Securities and cancellation of the equivalent Commodity Contracts.

The Company's exposure to risk is discussed in note 12 to the financial statements.

Future Developments

The directors 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.

Country and Currency Risk

The Company has exposure to country and currency risk as the Currency-Hedged Commodity Securities are priced in US Dollars and hedged against exchange rate movements between the US Dollar and the Australian Dollar, Euro and Pound Sterling. However, the directors do not consider the Company to have a significant exposure to risk relating to country and 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 Currency-Hedged Commodity Securities are matched economically by losses or gains attributable to the Commodity Contracts.

Each Currency-Hedged Commodity Security is a debt instrument whose redemption price is linked directly to the price of the relevant underlying commodity. The Currency-Hedged Commodity Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the Commodity Contracts and not to the Company. In addition, since any such price movements are wholly attributable to the Currency-Hedged Commodity Security holders, the Company has no residual exposure to price movements of the Commodity Contracts. From a commercial perspective the gains or losses on the liability represented by the Currency-Hedged Commodity Securities are matched economically by losses or gains attributable to the Commodity Contracts (see detail above 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 Currency-Hedged Commodity Securities and the Commodity Contracts are disclosed in note 12.

Movements in the price of the underlying commodity, and thus the value of the Currency-Hedged Commodity Securities, may vary widely which could have an impact on the demand for the Currency-Hedged Commodity Securities issued by the Company. These movements are shown in notes 7 and 8.

Dividends

There were no dividends declared or paid in the current year or previous period. 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.

	2013 Fees GBP	2012 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	7,500	7,500
Mr Craig A Stewart	3,750	7,500
Mr Thomas K Quigley	Nil	Nil
Mr Joseph L Roxburgh	Nil	Nil
Mr Mark Weeks	Nil	Nil

Auditor

A resolution to reappoint Deloitte LLP as the auditor of the Company will be proposed at the next meeting of the directors.

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 Currency-Hedged Commodity Securities, has not undertaken any business, save for issuing and redeeming Currency-Hedged Commodity Securities, entering into the documents and performing the obligations and exercising its rights in relation thereto, since its incorporation. The Company does not intend to undertake any business other than issuing and redeeming Currency-Hedged Commodity 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 to conduct the regulated activities. ManJer was classified as a Managed Entity under Jersey regulation and was reliant upon R&H Fund Services (Jersey) Limited ("R&H"), a regulated service provider in Jersey, for the provision of additional management services under the Manager of a Managed Entity ("MoME") regime. The MoME Agreement between ManJer and R&H was terminated during the year such that ManJer is no longer reliant upon R&H for the provision of additional those management services. However ManJer continues to outsource the administration services in respect of the Company to R&H. Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an ongoing basis by the board of the ultimate parent company, ETF Securities Limited, through their review of periodic reports and quarterly management accounts of the Company.

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

The board having reviewed the effectiveness of the internal control systems of the Manager 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.

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 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, and will continue to have such a composition of directors beyond the next meeting of the directors.

The board of directors meets regularly to consider matters specifically reserved for its review. Further meetings will be held as required by the operations of the Company.

Audit Committee

The board has not established a separate audit committee; instead the board has met 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.

Mr Joseph L Roxburgh
Director
Jersey
3 February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that 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 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.

By order of the board

Mr Joseph L Roxburgh
Director

3 February 2014

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of ETFS Hedged Commodity Securities Limited for the year ended 31 December 2013 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 ("IFRSs") 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, 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 annual report to identify material inconsistencies with the audited financial statements. 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 2013 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with 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:

- proper accounting records have not been kept; 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.

Andrew Isham, BA, FCA
For and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditor
St Helier, Jersey
3 February 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013 USD	Year ended 31 December 2012 USD
Revenue	3	156,023	195,029
Expenses	3	(156,023)	(195,029)
Operating Result	3	-	-
Net (Loss)/Gain Arising on Contractual and Fair Value of Commodity Contracts	7	(5,603,565)	2,868,768
Net Gain/(Loss) Arising on Fair Value of Currency-Hedged Commodity Securities	8	5,296,991	(2,868,768)
Result and Total Comprehensive Income for the Year		(306,574)	-
* Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Currency-Hedged Commodity Securities[1]	2	306,574	-
Adjusted Result and Total Comprehensive Income for the Year	8	-	-

The directors consider the Company's activities as continuing.

[1] * The definition of non-statutory adjustments is set out on page 16. This represents the difference between the agreed formula price of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities.

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2013	2012
	Note	USD	USD
Current Assets			
Trade and Other Receivables	6	13,923	34,513
Commodity Contracts	7	25,383,052	52,246,987
Amounts Receivable Awaiting Settlement - Contracts	7	62,636	455,238
Amounts Receivable Awaiting Settlement - Securities	8	-	218,534
Total Assets		25,459,611	52,955,272
Current Liabilities			
Currency-Hedged Commodity Securities	8	25,689,626	52,246,987
Amounts Payable Awaiting Settlement - Securities	8	62,636	455,238
Amounts Payable Awaiting Settlement - Contracts	7	-	218,534
Trade and Other Payables	8	13,920	34,510
Total Liabilities		25,766,182	52,955,269
Equity			
Stated Capital	10	3	3
Revaluation Reserve	8	(306,574)	-
Total Equity		(306,571)	3
Total Equity and Liabilities		25,459,611	52,955,272

The financial statements on pages 9 to 24 were approved by the board of directors and signed on its behalf on 3 February 2014.

Mr Joseph L Roxburgh
Director

The notes on pages 13 to 24 form part of these financial statements

ETFS HEDGED COMMODITY SECURITIES LIMITED

STATEMENT OF CASH FLOWS

	Year ended 31 December 2013 USD	Year ended 31 December 2012 USD
Operating Result for the Year	-	-
Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	20,590	(34,510)
(Decrease)/Increase in Payables	(20,590)	34,510
Cash Generated from/(Used in) Operations	-	-
Cash Flows from Financing Activities		
Issue of Shares	-	-
Cash Generated from Financing Activities	-	-
Net Movement in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the Beginning of the Year	-	-
Net Movement in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Year	-	-

Currency-Hedged Commodity Securities are issued or redeemed by receipt/transfer of Commodity Contracts and have been excluded in the Statement of Cash Flows.

The notes on pages 13 to 24 form part of these financial statements

ETFS HEDGED COMMODITY SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital USD	Retained Earnings USD	Revaluation Reserve USD	Total Equity USD	Adjusted Total Equity USD
Opening Balance at 1 January 2012		3	-	-	3	3
Total Comprehensive Income for the Year		-	-	-	-	-
Balance at 31 December 2012		3	-	-	3	3
Opening Balance at 1 January 2013		3	-	-	3	3
Total Comprehensive Income for the Year		-	(306,574)	-	(306,574)	(306,574)
Transfer to Revaluation Reserve	8	-	306,574	(306,574)	-	-
Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Currency-Hedged Commodity Securities as set out in the prospectus	8	-	-	-	-	306,574
Balance at 31 December 2013		3	-	(306,574)	(306,571)	3

The notes on pages 13 to 24 form part of these financial statements

1. General Information

ETFS Hedged Commodity 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 transparent securities designed to ensure the price of the securities issued tracks the net asset value of the underlying commodity, index or currency while providing market liquidity for the investor.

The purpose of the Company is to provide a vehicle that permits trading of the Commodity Securities, not to make gains from trading in the underlying Commodity assets themselves. The 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 Contracts will always be offset by an equal and opposite loss or gain on the Securities. Further details regarding the risks of the Company are disclosed in note 12.

ETPs typically are not 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 of 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) management and licence fees which are calculated by applying a fixed percentage to the market value of debt securities in issue on a daily basis (according to each Security prospectus); and
(2) creation and redemption fees on the issue and redemption of the securities.

No management and licence fees, nor creation and redemption fees are payable when investors trade in the 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"), whereby ManJer is responsible for advisory or consultancy services required by the Company, including advertising and all costs relating to the listing and issuance of securities. In return for these services, the Company pays ManJer an amount equal to the Management Fee charge levied by the Company on the Commodity Securities in issue and the Creation and Redemption Fees. 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.

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.

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 Commodity Contracts and Currency-Hedged Commodity Securities held at fair value through profit or loss as disclosed in notes 7 and 8. Actual results could vary from these estimates.

2. Accounting Policies (continued)

Accounting Standards

(a) *Standards, amendments and interpretations effective on 1 January 2013:*

The following new and revised Standards and Interpretations have been adopted in the current year which may have affected 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).

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether the price is directly observable or estimated using another valuation technique. The impact of adoption of IFRS 13 has been described below.

The Company's liability in respect of Currency-Hedged Commodity Securities relates to its contractual obligations to trade with certain counterparties at set prices on each trading day. These prices are based on an agreed formula as set out in the prospectus, and are equal to the published NAVs of each class of Currency-Hedged Commodity Security. Therefore, historically the Currency-Hedged Commodity Securities were classified as level 2 financial liabilities, as the Company's liability was calculated using third party pricing sources supported by observable, verifiable inputs. Through the adoption of IFRS 13, the Company must utilise the available market price as the Currency-Hedged Commodity Securities are quoted on the open market. As a result the Currency-Hedged Commodity Securities were reclassified from Level 2 into Level 1.

In addition, the disclosure requirements in IFRS 13 are more extensive than those previously required, and include more detailed quantitative and qualitative disclosures based on the three-level fair value hierarchy covering all assets and liabilities within its scope. See note 8 for further details.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories:

a) items that will not be reclassified subsequently to profit or loss; and
b) items that will be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments also introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1 the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'

2. Accounting Policies (continued)

Accounting Standards (continued)

(b) *Standards, amendments and interpretations effective on 1 January 2013 but not relevant to the Company during the period:*

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (as revised in 2011) Separate Financial Statements
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures
- Amendments to IFRS 10 Consolidated Financial Statements
- Amendments to IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendments to IFRS 11 (Joint Arrangements)
- Amendments to IAS 1 Presentation of Financial Statements
- IAS 19 (as revised in 2011) Employee Benefits
- Amendments to IAS 16 Property, Plant and Equipment issued as part of the annual improvements to IFRSs issued in 2009 – 2011
- Amendments to IAS 32 Financial Instruments: Presentation issued as part of the annual improvements to IFRSs issued in 2009 – 2011
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

(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 2009)
- IFRS 9 Financial Instruments (as amended in 2010)
- IFRS 9 Financial Instruments (as amended in 2013) (hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
- Amendments to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)
- IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014
- Annual Improvements to IFRS (effective for annual periods beginning on or after 1 July 2014)
- IFRIC 21 Levies (effective for annual periods beginning on or after 1 January 2014)

The directors do not expect the adoption of the standards, amendments and interpretations that are in issue but not yet effective listed above will have a material impact on the financial statements of the Company in future periods. Beyond the information above it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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.

2. Accounting Policies (continued)

Going Concern

The nature of the Company's business dictates that the outstanding Currency-Hedged Commodity Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Currency-Hedged Commodity Securities will always coincide with the redemption of an equal amount of Commodity 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.

Currency-Hedged Commodity Securities and Commodity Contracts

i) Issuance and Redemption

The Company has entered into a Facility Agreement with UBS and Merrill Lynch to permit the Company to purchase and redeem Commodity Contracts at prices equivalent to Currency-Hedged Commodity Securities issued or redeemed on the same day. Each time a Currency-Hedged Commodity Security is issued or redeemed by the Company a matching number and value of Commodity Contracts are purchased or redeemed from UBS or Merrill Lynch. The Commodity Contracts represent financial assets of the Company and the Currency-Hedged Commodity Securities give rise to financial liabilities.

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

When Commodity Contracts are redeemed from UBS and Merrill Lynch they are redeemed from the earliest Commodity Contract issued and then the next earliest contract until the redemption has been satisfied. This method is known as first in first out ("FIFO").

ii) Pricing

The Commodity Contracts are priced using the product of commodity indices published by Dow Jones & Company and a multiplier calculated by the Company and agreed with UBS and Merrill Lynch. The multiplier takes into account the daily accrual of the Management Fee and Licence Allowance as well as the incremental capital enhancement component of the equivalent Currency-Hedged Commodity Security, and is the same across all securities within the same class (i.e. all Classic Commodity Securities use the same multiplier).

The Currency-Hedged Commodity Securities are priced using the mid market price on the statement of financial position date taken just before the final close of the market.

The pricing of the Currency-Hedged Commodity Securities using the market price is as a result of the adoption of IFRS 13 during the year ended 31 December 2013. IFRS 13 requires the Company to utilise the available market price as the Currency-Hedged Commodity Securities are quoted on the open market. Consequently differences arising in the pricing of Currency-Hedged Commodity Securities are included in the statement of financial position and the statement of profit or loss and total comprehensive income in order to fair value the liability. The cumulative differences between the actual settlement value of the Currency-Hedged Commodity Securities and the fair value are presented as a non-statutory movement entitled 'Adjustment from Market Value to Contractual Formula Price (as set out in the prospectus) of Currency-Hedged Commodity Securities'.

As the adoption of IFRS 13 is not retrospective, the comparatives for the year ended 31 December 2012 have not been restated. In the year ended 31 December 2012 the Currency-Hedged Commodity Securities were priced using the product of commodity indices published by Dow Jones & Company and a multiplier calculated by the Company and agreed with UBS and Merrill Lynch, in accordance with IAS 39. This allowed gains and losses in respect of Contracts to be offset by an equal and opposite loss or gain on the Securities.

2. Accounting Policies (continued)

Currency-Hedged Commodity Securities and Commodity Contracts (continued)

iii) Designation at fair value through Profit or Loss

Each Currency-Hedged Commodity Security and Commodity Contract comprises a financial instrument whose redemption price is linked directly to the price of the underlying Commodity on a one-to-one basis.

These instruments are designated at fair value through the profit or loss upon initial recognition. This is in order to eliminate a measurement mismatch enabling gains or losses on both the Currency-Hedged Commodity Security and Commodity Contract to be recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Commodity Contracts and Securities Awaiting Settlement

The issue or redemption of Currency-Hedged Commodity Securities, and the purchase or sale of Commodity Contracts, is accounted for on trade date ("T"). Where settlement pricing is applied, the trade will not settle until T+3. 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 securities are recognised at the date on which the transaction becomes legally binding. All other income and expenses are recognised on an accruals basis.

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 a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt 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 financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in United States Dollar, which is the functional currency of the Company, and the presentational currency of the financial statements.

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

2. Accounting Policies (continued)

Segmental Reporting

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 reports information on its operations for each of the Company's business segments only, as the Company only has one geographic segment which is the UK and Europe. The directors believe that each type of Currency-Hedged Commodity Security – Classic and Forward – comprises a segment and results of each are disclosed separately in note 3.

3. Operating Result

Operating result for the year/period comprised:

	Year ended 31 December 2013 USD	Year ended 31 December 2012 USD
Creation and Redemption Fees	1,531	3,148
Management Fees	140,187	174,114
Licence Allowance	14,305	17,767
Total Revenue	156,023	195,029
Management Fees to ManJer	(156,023)	(195,029)
Total Operating Expenses	(156,023)	(195,029)
Operating Result	-	-

Audit fees for the year of GBP 18,000 will be met by ManJer (2012: GBP 19,500).

4. Segmental Reporting

The Company has two separate types of Currency-Hedged Commodity Security in issue – Classic and Forward Securities. The Company earns revenues from each of these sources.

For the year ended 31 December 2013:

	Classic	Forward	Central	Total
Management Fees	121,526	18,661	-	140,187
Licence Allowance	12,401	1,904	-	14,305
Creation and Redemption Fees	1,531	-	-	1,531
Total Revenue	135,458	20,565	-	156,023
Total Operating Expenses	135,458	20,565	-	156,023
Segmental Profit	-	-	-	-

Additional information relating to the assets and liabilities associated with these securities is disclosed in notes 7 and 8.

5. Taxation

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

6. Trade and Other Receivables

	As at 31 December	
	2013	**2012**
	USD	**USD**
Management Fee and Licence Allowance	12,264	33,702
Creation and Redemption Fees	1,656	808
Stated Capital Receivable	3	3
	13,923	34,513

7. Commodity Contracts

	Change in Fair Value at 31 December 2013 USD	Fair Value at 31 December 2013 USD
Classic Commodity Contracts	5,309,673	20,759,642
Forward Commodity Contracts	293,892	4,623,410
Total Commodity Contracts	5,603,565	25,383,052

As at 31 December 2013, there were certain amounts of Commodity Contracts awaiting the creation or (redemption) of securities with trade dates before the year end and settlement dates in the following year. The amount receivable or (payable) on completion of these trades is USD 62,636 (2012: USD 218,534) and USD Nil (2012: (USD 455,238)).

	Change in Fair Value at 31 December 2012 USD	Fair Value at 31 December 2012 USD
Classic Commodity Contracts	2,947,886	51,619,833
Forward Commodity Contracts	(79,118)	627,154
Total Commodity Contracts	2,868,768	52,246,987

8. Currency-Hedged Commodity Securities

Whilst the Currency-Hedged Commodity Securities are quoted on the open market, the Company's liability relates to its contractual obligations to trade with certain counterparties 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 Currency-Hedged Commodity Security. Therefore, the actual contractual issue and redemption of Currency-Hedged Commodity Securities occur at a price that fully match gains or losses on the Commodity Contracts. As a result the Company has no net exposure to gains or losses on the Currency-Hedged Commodity Securities and Commodity Contracts.

8. Currency-Hedged Commodity Securities (continued)

Through to the adoption of IFRS 13 from 1 January 2013, the Company now needs to measure the Currency-Hedged Commodity Securities at their transferable value rather than their settlement value. The transferable value is deemed to be the prices quoted on stock exchanges or other markets where the Currency-Hedged Commodity Securities are listed or traded. This application is prospective and is treated as a change in accounting estimate and recognised in profit or loss. However Commodity Contracts continue to be valued based on the agreed formula (which is equal to the published NAVs of each class of Currency-Hedged Commodity Security). The market price of Currency-Hedged Commodity Securities is a function of supply and demand amongst investors wishing to buy and sell Currency-Hedged Commodity Securities and the bid-offer spread that the market makers are willing to quote.

The fair values and movements in unrealised gains/losses during the year based on prices available on the open market as recognised in the financial statements are:

	Change in Fair Value at 31 December 2013 USD	Market Fair Value at 31 December 2013 USD
Classic Currency-Hedged Commodity Securities	(5,036,812)	21,032,504
Forward Currency-Hedged Commodity Securities	(260,179)	4,657,122
Total Currency-Hedged Commodity Securities	(5,296,991)	25,689,626

The contractual redemption values and movements in unrealised gains/losses during the year based on the contractual settlement values are:

	Change in Contractual Redemption Value at 31 December 2013 USD	Contractual Redemption Value at 31 December 2013 USD
Classic Currency-Hedged Commodity Securities	(5,309,673)	20,759,642
Forward Currency-Hedged Commodity Securities	(293,892)	4,623,410
Total Currency-Hedged Commodity Securities	(5,603,565)	25,383,052

The overall impact is that through the mis-matched accounting values, the results of the Company reflect a gain or loss on the difference between the agreed formula price of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities. This gain or loss would be reversed on a subsequent redemption of the Currency- Hedged Commodity Securities and cancellation of the equivalent Commodity Contracts. This gain or loss has been transferred to a Revaluation Reserve which is non-distributable. The mismatched accounting values are as shown below and represent the non-statutory adjustment presented on the statement of profit or loss and other comprehensive income:

	Year Ended 31 December 2013 USD	Year Ended 31 December 2012 USD
Net (Loss)/Gain Arising on Contractual and Fair Value of Commodity Contracts	(5,603,565)	2,868,768
Net Gain/(Loss) Arising on Contractual Redemption Value of Currency-Hedged Commodity Securities	5,296,991	(2,868,768)
	(306,574)	-

As at 31 December 2013, there were certain amounts of Currency-Hedged Commodity Securities awaiting the (creation) or redemption of securities with trade dates before the year end and settlement dates in the following year. The amount (receivable) or payable on completion of these trades is USD Nil (2012: (USD 455,238)) and USD 62,636 (2012: USD 218,534).

8. Currency-Hedged Commodity Securities (continued)

	Change in Fair Value at 31 December 2012 USD	Fair Value at 31 December 2012 USD
Classic Currency-Hedged Commodity Securities	(2,947,886)	51,619,833
Forward Currency-Hedged Commodity Securities	79,118	627,154
Total Currency-Hedged Commodity Securities	(2,868,768)	52,246,987

9. Trade and Other Payables

	As at 31 December	
	2013	2012
	USD	USD
Management Fees Payable to ManJer	13,917	34,510

10. Stated Capital

	As at 31 December	
	2013	2012
	USD	USD
2 Shares of Nil Par Value, Issued at GBP 1 Each	3	3

The Company can issue an unlimited capital of nil 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").

11. 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.

Management Fees paid to ManJer during the year:

	Year ended 31 December	
	2013	2012
	USD	USD
Management Fees	156,023	195,029

The following balances were due to ManJer at year end:

	As at 31 December	
	2013	2012
	USD	USD
Management Fees Payable	13,917	34,510

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 11,250 (2012: GBP 15,000).

11. Related Party Disclosures (continued)

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 26,000 (2012: GBP 60,000), of which GBP 6,500 (2012: GBP 15,000) was outstanding at the year end.

Graeme D Ross is also a director of ManJer.

Graham J Tuckwell is also a director of ETFSL, ManJer and HoldCo.

12. Financial Risk Management

The Company is exposed to a number of risks arising from its activities. The risk management policies employed by the Company to manage these are discussed below.

(a) Credit Risk

The value of Currency-Hedged Commodity Securities and the ability of the Company to repay the redemption price is dependent on the receipt of such amount from UBS and Merrill Lynch and may be affected by the credit rating attached to UBS and Merrill Lynch.

The obligation of UBS and Merrill Lynch under the Commodity Contracts ranks only as an unsecured claim against UBS and Merrill Lynch. To cover the credit risk under the Commodity Contracts, UBS and Merrill Lynch are obliged to place an equivalent amount of collateral into a pledge account with Bank of New York based on the total outstanding value of the Commodity Contracts at the end of the previous trading day. In the event of default by UBS or Merrill Lynch, the Company has rights over the amounts placed in this pledge account.

(b) Liquidity Risk

Generally, there is no liquidity risk to the Company because the maturity profile of the securities and contracts is exactly 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.

(c) Settlement Risk

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

Amounts outstanding in respect of positions yet to settle are disclosed in notes 7 and 8.

(d) Sensitivity Analysis

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

The Company's rights and liability in respect of Commodity Contracts and Currency-Hedged Commodity Securities, respectively, relates to its contractual obligations to trade with certain counterparties at set prices on each trading day. As a result the Company's contractual and economic liability in connection with the issue of Currency-Hedged Commodity Securities is matched by movements in corresponding Commodity 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.

12. Financial Risk Management (continued)

(e) Capital Management

The Company's principal activity is the listing and issue of Currency-Hedged Commodity Securities. These securities are issued as demand requires. The Company holds a corresponding amount of Commodity Contracts which exactly matches the total securities issued. ManJer supplied and arranged for the supply of all administrative services to the Company and paid all management and administration costs of the Company, in return for which the Company pays ManJer a fee equal to the management fee, licence allowance and creation and redemption fees charged to the Currency-Hedged Commodity Securities. The Company is not subject to any capital requirements imposed by a regulator and there were no changes in the Company approach to capital management during the year.

As all Currency-Hedged Commodity Securities on issue are supported by an equivalent amount of Commodity Contracts held by UBS and Merrill Lynch and the running costs of the Company were paid by ManJer, the directors of the Company consider the capital management and its current capital resources are adequate to maintain the on-going listing and issue of Currency-Hedged Commodity Securities.

(f) Market Risk

i) Price Risk
The Company's liability in respect of the Currency-Hedged Commodity Securities issued is related to the commodity price by reference to the futures market as quoted on the relevant futures Exchanges and is managed by the Company by entering into Commodity Contracts with UBS and Merrill Lynch which exactly match the liability created by the issue of Currency-Hedged Commodity Securities. The Company therefore bears no financial risk from a change in the price of a commodity by reference to the futures price. Refer to Note 8 for the further details regarding fair values.

However there is an inherent risk from the point of view of investors as the price of commodities, and thus the value of the Currency-Hedged Commodity Securities, may vary widely. The market price of Currency-Hedged Commodity Securities is a function of supply and demand amongst investors wishing to buy and sell Currency-Hedged Commodity Securities and the bid-offer spread that the market makers are willing to quote. This is highlighted in note 8, 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 Commodity Contracts or the Currency-Hedged Commodity Securities bear any interest.

iii) Currency Risk
The Company has exposure to currency risk as the Currency-Hedged Commodity Securities are priced in US Dollars and hedged against exchange rate movements between the US Dollar and the Australian Dollar, Euro and Pound Sterling. However, the directors do not consider the Company to have a significant exposure to risk relating 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 Currency-Hedged Commodity Securities are matched economically by losses or gains attributable to the Commodity 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.

12. Financial Risk Management (continued)

(g) Fair Value Hierarchy (continued)

The Company's liability in respect of Currency-Hedged Commodity Securities relates to its contractual obligations to trade with certain counterparties 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 Currency-Hedged Commodity Security. Therefore, historically the Currency-Hedged Commodity Securities were classified as level 2 financial liabilities, as the Company's liability was calculated using third party pricing sources supported by observable, verifiable inputs. Through the adoption of IFRS 13 during the year ended 31 December 2013, the Company is required to utilise the available market price as the Currency-Hedged Commodity Securities are quoted on the open market. As a result the Currency-Hedged Commodity Securities were reclassified from Level 2 into Level 1 financial liabilities.

The Company's rights in respect of Commodity Contracts relates to its contractual obligations to trade with certain counterparties 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 Currency-Hedged Commodity Security. Therefore, Commodity Contracts are classified as level 2 financial assets, as the Company's asset is calculated using third party pricing sources supported by observable, verifiable inputs.

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

	Fair Value	
	2013	**2012**
Level 1	**USD**	**USD**
Currency-Hedged Commodity Securities	(25,689,626)	-
Level 2	**USD**	**USD**
Commodity Contracts	25,383,052	52,246,987
Currency-Hedged Commodity Securities	-	(52,246,987)

There are no assets or liabilities classified in level 3.

13. Ultimate Controlling Party

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