

**ETFS HEDGED METAL SECURITIES LIMITED**

**Registered No: 108311**

**Report and Financial Statements for the  
Year ended 31 December 2012**

**ETFS HEDGED METAL SECURITIES LIMITED**

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**ETFS HEDGED METAL SECURITIES LIMITED**  
**MANAGEMENT AND ADMINISTRATION**

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**Directors**

Mr Graham J Tuckwell – Chairman  
Mr Graeme D Ross  
Mr Craig A Stewart  
Mr Joseph L Roxburgh

**Registered Office**

Ordnance House  
PO Box 83  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Company Secretary**

R&H Fund Services (Jersey) Limited  
Ordnance House  
PO Box 83  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Auditor**

Deloitte LLP  
Lord Coutanche House  
66-68 Esplanade  
St Helier  
Jersey, JE4 8WA

# ETFS HEDGED METAL SECURITIES LIMITED

## DIRECTORS' REPORT

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The directors of ETFS Hedged Metal Securities Limited ("HMSL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2012.

### 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 Craig A Stewart

Mr Thomas K Quigley (resigned 20 December 2012)

Mr Joseph L Roxburgh (appointed 20 December 2012)

### Principal Activities

The Company's principal activity is intended to be the listing and issue of currency-hedged metal securities ("Currency-Hedged Metal Securities") comprising sixteen separate types of Currency-Hedged Metal Securities: four separate classes of Australian Dollar; four separate classes of Euro; four separate classes of Singapore Dollar; and four separate classes of Sterling individual securities. The Company may make available other types of Currency-Hedged Metal Securities including basket securities each comprising two or more classes of individual securities in specified proportions.

Currency-Hedged Metal Securities are denominated in a specified currency and, pursuant to one or more Metal Adjustment Agreement with one or more FX Counterparties, the Metal Entitlement of each individual security will be adjusted daily by an amount of bullion which reflects the daily movement of an index tracking the variation in the exchange rate between United States Dollars and the currency of denomination of the individual security, as well as being adjusted for the deduction of applicable fees.

Each Currency-Hedged Metal Security will be backed by physical metal ("Metal Bullion") held in custody by designated custodians. The Metal Bullion will be held and settled in accordance with the standards set down by the London Platinum and Palladium Market ("LPPM") (for platinum and palladium) and the London Bullion Market Association ("LBMA") (for gold and silver).

As at 31 December 2012 the Company did not have any Currency Hedged Metal Securities in issue.

### Review of Operations

The Company was incorporated on 6 June 2011.

As at 31 December 2012, the Company had no Currency-Hedged Metal Securities in issue, and held no Metal Bullion.

During the year, the Company generated no income and incurred no expenses. All expenses of the Company are met by ETFS Management Company (Jersey) Limited ("ManJer").

The Company's exposure to risk is discussed in note 7 to the financial statements.

### Country and Currency Risk

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 due to the Company having no Currency-Hedged Metal Securities in issue and holding no Metal Bullion.

**ETFS HEDGED METAL SECURITIES LIMITED**  
**DIRECTORS' REPORT - CONTINUED**

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**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.

**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' 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 ETFSL, the ultimate parent company)

2

**Auditor**

A resolution to reappoint Deloitte LLP 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 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. With the exception of Mr Quigley and Mr Roxburgh, the directors are either members of the board of the Ultimate Parent Company, ETFSL, 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. Mr Quigley resigned from the Company on 20 December 2012.

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

**Directors' Remuneration**

No director has a service contract with the Company. None of the directors received any remuneration during the year.


**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 does not intend to undertake any business other than issuing and redeeming Currency-Hedged Metal Securities and performing the obligations and exercising its rights in relation thereto.

The board, having reviewed the effectiveness of the internal control systems and having a regard to the role of its external auditors, 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. Once the Company begins to issue securities, the board will fulfil the responsibilities often assigned to the audit committee, including consideration of the financial reporting by the Company, the internal controls and relations with the external auditors. In addition the board will review the independence and objectivity of the auditors.

A handwritten signature in black ink, appearing to read 'Graeme D Ross'. The signature is written in a cursive, flowing style with a large initial 'G' and 'R'.

**Graeme D Ross**

Director

Jersey

11 February 2013

**ETFS HEDGED METAL SECURITIES LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

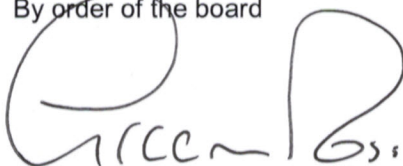
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.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



**Graeme D Ross**  
Director

11 February 2013

# ETFS HEDGED METAL SECURITIES LIMITED

## INDEPENDENT AUDITOR'S REPORT

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We have audited the financial statements of ETFS Hedged Metal Securities Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 9. 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 2012 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

St Helier

Jersey

11 February 2013



**ETFS HEDGED METAL SECURITIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

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	Note	Year ended 31 December 2012 USD	Period from 6 June 2011 to 31 December 2011 USD
<b>Revenue</b>	2	-	-
<b>Expenses</b>	2	-	-
<b>Operating Result</b>	2	-	-
Net Gain Arising on Fair Value of Metal Bullion		-	-
Net Loss Arising on Fair Value of Currency- Hedged Metal Securities		-	-
<b>Result and Total Comprehensive Income for the Year/Period</b>		-	-

The directors consider the Company's activities as continuing.

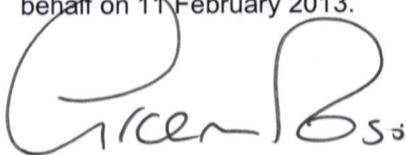
The notes on pages 11 to 14 form part of these financial statements

**ETFS HEDGED METAL SECURITIES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

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	Note	As at 31 December 2012 USD	As at 31 December 2011 USD
<b>Current Assets</b>			
Other Receivables	4	3	3
<b>Total Assets</b>		<u>3</u>	<u>3</u>
<b>Equity</b>			
Stated Capital	5	3	3
<b>Total Equity</b>		<u>3</u>	<u>3</u>

The financial statements on pages 7 to 14 were approved by the board of directors and signed on its behalf on 11 February 2013.



Graeme D Ross  
 Director

The notes on pages 11 to 14 form part of these financial statements

**ETFs HEDGED METAL SECURITIES LIMITED**  
**STATEMENT OF CASH FLOWS**

	Year ended 31 December 2012 USD	Period from 6 June 2011 to 31 December 2011 USD
<b>Operating Result for the Year/Period</b>		
<i>Changes in Operating Assets and Liabilities</i>		
Increase in Receivables	-	(3)
Cash Used in Operations	-	(3)
<i>Cash Flows from Financing Activities</i>		
Proceeds from Issue of Shares	-	3
Cash Generated from Financing Activities	-	3
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>
Cash and Cash Equivalents at the Beginning of the Year/Period	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Year/Period	-	-

The notes on pages 11 to 14 form part of these financial statements

**ETFS HEDGED METAL SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

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	Stated Capital USD	Retained Earnings USD	Total Equity USD
Shares Issued in the Period from 6 June 2011 to 31 December 2011	3	-	3
Total Comprehensive Income for the Period	-	-	-
Balance at 31 December 2011	<u>3</u>	<u>-</u>	<u>3</u>
Balance at 1 January 2012	3	-	3
Total Comprehensive Income for the Year	-	-	-
Balance at 31 December 2012	<u>3</u>	<u>-</u>	<u>3</u>

The notes on pages 11 to 14 form part of these financial statements

**ETFS HEDGED METAL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. 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 year. 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 Metal Bullion and Currency-Hedged Metal Securities held at fair value through profit or loss. Actual results could vary from these estimates.

**Accounting Standards**

*(a) Standards, amendments and interpretations effective on 1 January 2012:*

No 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).

*(b) Standards, amendments and interpretations effective on 1 January 2012 but not relevant to the Company:*

- Amendments to IFRS 7 "Disclosures – Transfers of Financial Assets"
- Amendments to IAS 12 "Income Taxes"

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

- IFRS 9 "Financial Instruments" (effective 1 January 2015)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2013)
- Amendments to IAS 1 "Presentation of Financial Statements" (effective 1 July 2012)
- Amendments to IAS 32 "Financial Instruments: Presentation" (effective 1 January 2014)
- Various improvements to IFRSs issued in 2011 (effective 1 January 2013)

The directors anticipate that the adoption of these standards in future periods will have no material financial impact; however the amendments may change the presentation of the financial statements. The directors have considered other new and revised standards and they believe that they are not relevant to the Company's activities.

**ETFS HEDGED METAL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**1. Accounting Policies - continued**

**Going Concern**

All expenses and liabilities of the Company are met by ManJer; therefore the directors consider the Company to be a going concern and have prepared the financial statements on this basis.

Upon the future issuance of securities, Currency-Hedged Metal 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 Metal Securities will coincide with the termination of an equal amount of Metal Bullion, no liquidity risk is considered to arise.

**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 in the Statement of Comprehensive Income.

**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 year end date are translated at rates ruling at that date. The resulting differences are accounted for in the Statement of Comprehensive Income.

**2. Operating Result**

Operating result for the year/period comprised:

	Year ended 31 December 2012	Period from 6 June 2011 to 31 December 2011
	USD	USD
Management Fees	-	-
<b>Total Revenue</b>	<b>-</b>	<b>-</b>
Management Fees	-	-
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

Audit fees for the year of GBP 5,000 will be met by ManJer (2011: GBP 5,000).

**ETFs HEDGED METAL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

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**3. Taxation**

The Company is subject to Jersey Income Tax at the rate of 0%.

**4. Other Receivables**

	As at 31 December	
	2012	2011
	USD	USD
Amounts Receivable on Stated Capital	3	3

**5. Stated Capital**

	As at 31 December	
	2012	2011
	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").

**6. 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.

At 31 December 2012, USD 3 (2011: USD 3) is receivable from HoldCo.

Graeme D Ross is also a director of ManJer. Craig A Stewart was a director of ManJer until 14 June 2012.

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

**7. Financial Risk Management**

The Company will be 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*

Credit risk is the risk of loss due to the failure of a counterparty to satisfy its obligations. Credit risk will be managed by the Company by only dealing with authorised participants who are believed to be creditworthy. In the event the authorised participants fail to complete their obligation, no securities will be created therefore the Company will not have the risk of loss of the amount expected to be received.

*(b) Liquidity Risk*

When Currency-Hedged Metal Securities are issued, there will be no liquidity risk to the Company because the market value of the Metal Bullion returned will always be the same as that of the securities being redeemed. Therefore any redemption of securities would not impact the liquidity of the Company.

**7. Financial Risk Management - continued**

*(c) 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 shareholders equity would have been affected by a reasonably possible change to the relevant risk variable.

There have been no operations in the year to 31 December 2012, therefore no sensitivity analysis is required.

*(d) Capital Management*

The Company's principal activity is intended to be the listing and issue of Currency-Hedged Metal Securities. These securities will be issued as demand requires. The Company will hold a corresponding amount of Metal Bullion which exactly matches the total securities issued. 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 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 future listing and issue of Currency-Hedged Metal Securities.

**8. 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.

**9. Subsequent Events**

There have been no significant events since the reporting date that require further disclosure within these financial statements.