ETFS Hedged Metal Securities Limited

Registered No: 108311

Report and Financial Statements for the Year ended 31 December 2016

Contents

Management and Administration

Directors

Graham J Tuckwell – Chairman
Christopher J M Foulds
Steven G Ross
Joseph L Roxburgh

Registered Office

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St Helier
Jersey, JE4 8PW

Manager

ETFS Management Company (Jersey) Limited
Ordnance House
31 Pier Road
St Helier
Jersey, JE4 8PW

FX Counterparty

Morgan Stanley & Co. International plc
25 Cabot Square
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London, E14 4QA
United Kingdom

Auditor

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey, JE4 8WQ

Company Secretary

Joseph L Roxburgh
Ordnance House
31 Pier Road
St Helier
Jersey, JE4 8PW

Administrator

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

Registrar

Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey, JE1 1ES

Trustee

The Law Debenture Trust Corporation plc
Fifth Floor
100 Wood Street
London, EC2V 7EX
United Kingdom

Custodian

JP Morgan Chase Bank, NA
London Branch
125 London Wall
London, EC2Y 5AJ
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Jersey Legal Advisers

Mourant Ozannes
22 Grenville Street
St Helier
Jersey, JE4 8PX

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 2016.

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	
Graeme D Ross	(Resigned 7 December 2016)
Steven G Ross	(Appointed 7 December 2016)
Joseph L Roxburgh	

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 majority shareholder of ETF Securities Limited ("ETFSL"))	2

Principal Activities

The Company's principal activity is the issue and listing of currency-hedged metal securities ("Currency-Hedged Metal Securities"). Each Currency-Hedged Metal Security is denominated in a specified currency and is backed by physical metal ("Metal Bullion") which is held in custody by designated custodians, supported by one or more Metal Adjustment Agreements (and Metal Adjustment Contracts entered into pursuant thereto) with one or more FX Counterparties (currently the only FX Counterparty is Morgan Stanley & Co. International plc ("Morgan Stanley")) which provide a currency hedging overlay. The Metal Entitlement of each class of Currency-Hedged Metal Security will be adjusted daily by an amount of bullion (the "Daily Hedging Variation"), 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 that class of Currency-Hedged Metal Security, as well as being adjusted for the deduction of applicable fees (see below).

The Company earns a management fee by reducing the Metal Entitlement of each class of Currency-Hedged Metal Security on a daily basis by an agreed amount (the "Management Fee"). The FX Counterparty earns a hedging fee by reducing the Metal Entitlement of each class of Currency-Hedged Metal Security on a daily basis by an agreed amount (the "Hedging Fee"). The Management Fee and the Hedging Fee are transferred in the form of bullion on a monthly basis, in arrears, following agreement from the Trustee.

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 issue of Currency-Hedged Metal Securities. In return for these services, the Company pays ManJer an amount equal to the aggregate of the Management Fee, the Hedging Fee and the creation and redemption fees earned (the "ManJer Fee"). The bullion in respect of the Management Fee and Hedging Fee is transferred by the Trustee from the custodian accounts directly to ManJer. In addition, the monetary amounts in respect of the creation and redemption fees are transferred directly to ManJer and there are no cash flows through the Company.

Review of Operations

The most recent prospectus was issued on 1 September 2016. As at 31 December 2016 the Company had the following number of classes, in aggregate, of Currency-Hedged Metal Securities in issue and admitted to trading on the following exchanges:

	London Stock Exchange	Borsa Italiana	Deutsche Börse
GBP-Hedged Metal Securities	1	-	-
EUR-Hedged Metal Securities	-	1	1
Total Currency-Hedged Metal Securities	1	1	1

As at 31 December 2016, the fair value of assets under management amounted to USD 298.4 million (2015: USD 13.9 million). The Company recognises its assets (Metal Bullion and Metal Adjustment Contracts) and financial liabilities (Currency-Hedged Metal Securities and Metal Adjustment Contracts) at fair value in the Statement of Financial Position.

During the year, the Company generated income from creation and redemption fees, Hedging Fees and Management Fees as follows:

	2016 USD	2015 USD
Creation and Redemption Fees	6,784	6,083
Management Fees	436,217	47,970
Hedging Fees	198,385	21,805
Total Fee Income	641,386	75,858

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the Management Fees, the Hedging Fees and the 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 (2015: USD Nil).

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

The Company holds Metal Bullion and enters into Metal Adjustment Contracts to support the Currency-Hedged Metal Securities as determined by the Metal Entitlement (which is calculated in accordance with an agreed formula published in the prospectus). Metal Bullion and Metal Adjustment Contracts are marked to fair value at the end of each Pricing Day by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC (collectively referred to within these financial statements as the "Contractual Value").

The Company has entered into contractual obligations to issue and redeem Currency-Hedged Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement of each class of Currency-Hedged Metal Security on each trading day. The Metal Bullion in respect of each creation and redemption is recorded using the Contractual Value on the transaction date.

Review of Operations (continued)

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 Currency-Hedged Metal Securities are listed to be the principal market and as a result the fair value of the Currency-Hedged Metal Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. As a result of the difference in valuation methodology between the Metal Bullion, the Metal Adjustment Contracts and the Currency-Hedged Metal 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 value of the Metal Bullion and the Metal Adjustment Contracts at Contractual Value and the market price of Currency-Hedged Metal Securities. This gain or loss would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities, transfer of the equivalent Metal Bullion. Further details surrounding the value of Currency-Hedged Metal Securities and the Metal Bullion and Metal Adjustment Contracts are disclosed in notes 6 and 7.

Going Concern

The nature of the Company's business dictates that the outstanding Currency-Hedged Metal 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 Currency-Hedged Metal Securities will always coincide with the transfer of an equal amount of Metal Bullion, no liquidity risk is considered to arise. All other expenses of the Company are met by ManJer; therefore the directors consider the Company to be a going concern.

Future Developments

Referendum of the United Kingdom's ("UK's") membership of the European Union (the "EU Referendum")

The EU referendum took place on 23 June 2016 and resulted in an overall vote to leave the European Union ("EU"). The EU referendum is non-binding and therefore in order to start the process to leave the EU, the British government will have to invoke Article 50 of the Lisbon Treaty ("Article 50"). Invoking Article 50 starts a two-year period during which a leaving agreement is negotiated setting out the arrangements for the withdrawal and outlining the UK's future relationship with the EU. The exact process for the UK's withdrawal is uncertain, although it is generally expected to take longer than two years as this would require the renegotiation of treaties and agreements, together with legislation changes.

The Company is domiciled in Jersey, outside of the EU, and the Currency-Hedged Metal Securities are distributed in the EU under the EU Prospectus Directive which requires their offering to the public to be approved by an EU Member State regulator. To date, the Company has chosen the UK Financial Conduct Authority ("FCA") as its member state regulator for these purposes. Request is then made to the FCA, as the chosen Member State regulator, for the passporting of the offering across the EU, once again, under the Prospectus Directive.

It is currently expected that the Company would select an alternate EU Member State regulator through which to seek approval and request passporting for its offering to maintain the Company's access to relevant markets. As the Currency-Hedged Metal Securities already comply with the European wide requirements of the Prospectus Directive, this is not expected to cause any disruption or alteration to the terms or nature of the Currency-Hedged Metal Securities.

The Currency-Hedged Metal Securities continue to comply with all applicable laws and regulations. Continued assessment of the impact will be required throughout the withdrawal process should the United Kingdom leave the EU.

The board of directors (the "Board") are not aware of any other 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 Metal Securities are priced in US Dollars and hedged against exchange rate movements between the US Dollar and the Euro or Pound Sterling. However, the directors do not consider the Company to have a significant net exposure 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 Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion and Metal Adjustment Contracts.

Each Currency-Hedged Metal Security is a debt instrument whose redemption price is linked directly to the value of the relevant underlying Metal Bullion and Metal Adjustment Contracts. The Currency-Hedged Metal Securities are issued under limited recourse arrangements whereby the holders have recourse only to the Metal Bullion and Metal Adjustment Contracts attributable to the class of Security held and not to the Company. In addition, since any movements in the value of the Metal Bullion and Metal Adjustment Contracts are wholly attributable to the holders of the Currency-Hedged Metal Securities, the Company has no residual exposure to movements in the value of the Metal Bullion and Metal Adjustment Contracts. From a commercial perspective the gains or losses on the liability represented by the Currency-Hedged Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion and Metal Adjustment Contracts (see detail on page 4 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 Metal Securities and the Metal Bullion and Metal Adjustment Contracts are disclosed in note 11.

Movements in the value of the underlying Metal Bullion and Metal Adjustment Contracts, and thus the value of the Currency-Hedged Metal Securities, may vary widely which could have an impact on the demand for the Currency-Hedged Metal Securities issued by the Company. These movements are shown in notes 6 and 7.

Dividends

There were no dividends declared or paid in the year (2015: USD 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.

Directors' Remuneration

No director has a service contract with the Company. The directors of the Company who are employees within the ETF Securities Group do not receive separate remuneration in their capacity as directors of the Company. R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") receives a fee in respect of the directors of the Company who are employees of R&H.

The directors' fees which have been paid by ManJer on behalf of the Company for the year:

	2016 GBP	2015 GBP
Graham J Tuckwell	Nil	Nil
Christopher J M Foulds	Nil	Nil
Graeme D Ross	7,500	7,500
Steven G Ross	500	Nil
Joseph L Roxburgh	Nil	Nil

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.

Auditor

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 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 on page 5 and will continue to have such a composition of directors beyond the next meeting of the directors.

The Board meets regularly as 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 Currency-Hedged Metal Securities, has not undertaken any business, save for issuing and redeeming Currency-Hedged Metal Securities, entering into the required 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 Metal 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 outsources the administration services in respect of the Company to 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 ongoing 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 and index tracking 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.

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.

Joseph L Roxburgh
Director
Jersey
13 March 2017

Statement of Directors' Responsibilities

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") and applicable law.

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 2016 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

Joseph L Roxburgh
Director
13 March 2017

Independent Auditor's Report

We have audited the financial statements of ETFS Hedged Metal Securities Limited (the "Company") for the year ended 31 December 2016 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 7, 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 2016 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
13 March 2017

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2016 USD	2015 USD
Revenue	3	641,386	75,858
Expenses	3	(641,386)	(75,858)
Operating Result	3	**-**	**-**
Net Loss Arising on Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	6	(36,087,996)	(1,933,830)
Net Gain Arising on Fair Value of Currency-Hedged Metal Securities	7	34,414,388	1,927,904
Result and Total Comprehensive Income for the Year	7	**(1,673,608)**	**(5,926)**
[1] Adjustment from Market Value to Contractual Value of Currency-Hedged Metal Securities	2	1,673,608	5,926
Adjusted Result and Total Comprehensive Income for the Year		**-**	**-**

The directors consider the Company's activities as continuing.

[1] An explanation of the non-statutory adjustment is set out on page 16. This represents the movement in the difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal Securities.

The notes on pages 13 to 25 form part of these financial statements

Statement of Financial Position

	Notes	As at 31 December 2016 USD	2015 USD
Current Assets			
Trade and Other Receivables	5	674,123	132,838
Metal Bullion Exposure	6	298,353,342	13,896,205
Total Assets		**299,027,465**	**14,029,043**
Current Liabilities			
Currency-Hedged Metal Securities	7	300,049,000	13,918,255
Trade and Other Payables	8	674,120	132,835
Total Liabilities		**300,723,120**	**14,051,090**
Equity			
Stated Capital	9	3	3
Revaluation Reserve		(1,695,658)	(22,050)
Total Equity		**(1,695,655)**	**(22,047)**
Total Equity and Liabilities		**299,027,465**	**14,029,043**

The financial statements on pages 9 to 25 were approved and authorised for issue by the board of directors and signed on its behalf on 13 March 2017.

Joseph L Roxburgh
Director

The notes on pages 13 to 25 form part of these financial statements

Statement of Cash Flows

	Year ended 31 December	
	2016	**2015**
	USD	**USD**
Operating Result for the Year	**-**	**-**
Changes in Operating Assets and Liabilities		
Increase in Trade and Other Receivables	(541,285)	(48,316)
Increase in Trade and Other Payables	541,285	48,316
Cash Generated from Operating Activities	-	-
Net Increase in Cash and Cash Equivalents	**-**	**-**
Cash and Cash Equivalents at the Beginning of the Year	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Year	**-**	**-**

Currency-Hedged Metal Securities are issued and redeemed by transfer of Metal Bullion and have been netted off in the Statement of Cash Flows.

The notes on pages 13 to 25 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 2015		3	-	(16,124)	(16,121)	3
Result and Total Comprehensive Income for the Year		-	(5,926)	-	(5,926)	(5,926)
Transfer to Revaluation Reserve	7	-	5,926	(5,926)	-	-
[3] Adjustment from Market Value to Contractual Value of Currency-Hedged Metal Securities	7	-	-	-	-	5,926
Balance at 31 December 2015		**3**	**-**	**(22,050)**	**(22,047)**	**3**
Opening Balance at 1 January 2016		3	-	(22,050)	(22,047)	3
Result and Total Comprehensive Income for the Year		-	(1,673,608)	-	(1,673,608)	(1,673,608)
Transfer to Revaluation Reserve	7	-	1,673,608	(1,673,608)	-	-
[3] Adjustment from Market Value to Contractual Value of Currency-Hedged Metal Securities	7	-	-	-	-	1,673,608
Balance at 31 December 2016		**3**	**-**	**(1,695,658)**	**(1,695,655)**	**3**

[2] This represents the difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal Securities.
[3] An explanation of the non-statutory adjustment is set out on page 16.

The notes on pages 13 to 25 form part of these financial statements

1. General Information

ETFS Hedged Metal 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 specialises in the development and issuance of Exchange Traded Products ("ETPs"). ETPs include Exchange Traded Commodities ("ETCs") and Exchange Traded Funds ("ETFs"). The ETCs issued by the Company are secured, undated, limited recourse debt securities designed to track the value (before fees and expenses) of an 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 Currency-Hedged Metal Securities, and the Company does not make gains from trading in the underlying Metal Bullion and Metal Adjustment Contracts. The Currency-Hedged Metal Securities are issued under limited recourse arrangements whereby the Company has no residual exposure to the value of the Metal Bullion and Metal Adjustment Contracts, therefore from a commercial perspective the aggregate gains and losses in respect of Metal Bullion and Metal Adjustment Contracts will always be offset by a corresponding loss or gain on the Currency-Hedged Metal Securities. Further details regarding the risks of the Company are disclosed in note 11.

ETCs are not typically actively managed, are significantly lower in cost when compared to actively managed mutual funds and are easily accessible to investors. No active trading or management of Metal Bullion and Metal Adjustment Contracts is required because the Company only receives or delivers Metal Bullion on the issue and redemption of Currency-Hedged Metal Securities, and only holds Metal Bullion and enters into Metal Adjustment Contracts to support the Currency-Hedged Metal Securities.

The Company is entitled to:

(1) a Management Fee which is calculated by reducing the Metal Entitlement of each class of Currency-Hedged Metal Security on a daily basis by an agreed amount; and
(2) creation and redemption fees on the issue and redemption of the Currency-Hedged Metal Securities.

No creation or redemption fees are payable to the Company when investors trade in the Currency-Hedged Metal 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 Currency-Hedged Metal Securities. In return for these services, the Company pays ManJer an amount equal to the Management Fee, the Hedging Fee and the creation and redemption fees earned (the "ManJer Fee"). 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.

2. Accounting Policies (continued)

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.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. 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, Metal Adjustment Contracts and Currency-Hedged Metal Securities held at fair value through profit or loss as disclosed in notes 6 and 7. Actual results could vary from these estimates.

Going Concern

The nature of the Company's business dictates that the outstanding Currency-Hedged Metal 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 Participants") can submit applications and redemptions directly with the Company. As the redemption of Currency-Hedged Metal Securities will always coincide with the transfer of an equal amount of Metal Bullion, no net liquidity risk is considered to arise. All other expenses 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.

Accounting Standards

(a) Standards, amendments and interpretations adopted in the year:

In preparing the financial statements the Company has adopted all new or revised Standards and Interpretations, including:

- IAS 1 Presentation of Financial Statements – Disclosure Initiative
- 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
- IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14 Regulatory Deferral Accounts
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants
- IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements
- Annual Improvements to IFRS, including the following standards:
    - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
    - IFRS 7 Financial Instruments: Disclosures
    - IAS 19 Employee Benefits
    - IAS 34 Interim Financial Reporting

Of those Standards and Interpretations adopted in the current year, none have resulted in any significant effect on these financial statements.

2. Accounting Policies (continued)

Accounting Standards (continued)

(b) New and revised IFRSs in issue but not yet effective:

The Company has not applied 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) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (no effective date set)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IAS 12 Income Taxes (effective for annual periods beginning on or after 1 January 2017)
- IAS 7 Statement of Cash Flows – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017)
- IFRS 2 Share-based Payment (effective for annual periods beginning on or after 1 January 2018)
- IFRS 4 Insurance Contracts (overlay approach to be applied when IFRS 9 is first applied, deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date)
- Annual Improvements to IFRS

The directors intend to adopt IFRS 9 for the annual period beginning on 1 January 2018. The directors have undertaken a preliminary assessment of the impact of adopting IFRS 9 and have concluded that there would be no impact on the amounts reported in respect of the Company's financial instruments. Disclosures in the financial statements will be amended as necessary to meet the requirements of the standard.

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.

Currency-Hedged Metal Securities and Metal Bullion

i) Issue and Redemption

The Company has entered into a Trust Instrument with The Law Debenture Trust Corporation plc ("Law Debenture") to permit the Company to issue Currency-Hedged Metal Securities. The conditions of issue are set out in the Trust Instrument. Each time a Currency-Hedged Metal Security is issued or redeemed by the Company a corresponding amount of Metal Bullion is transferred into or from the relevant secured account held by the custodian.

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

ii) Pricing

A price is established in respect of each type and currency of bullion as at the end of each Pricing Day by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC (collectively referred to within these financial statements as the 'Contractual Value').

2. Accounting Policies (continued)

Currency-Hedged Metal Securities and Metal Bullion (continued)

ii) Pricing (continued)

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 Currency-Hedged Metal Securities are listed to be the principal market and as a result the fair value of the Currency-Hedged Metal Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. The Currency-Hedged Metal Securities are priced using the closing mid-market price on the Statement of Financial Position date.

Consequently a difference arises between the value of Metal Bullion and Metal Adjustment Contracts at the Contractual Value (based on the prospectus) and Currency-Hedged Metal Securities at market value presented in the Statement of Financial Position. This difference is reversed on a subsequent redemption of the Currency-Hedged Metal Securities and the transfer of the corresponding Metal Bullion together with the cancellation of the Metal Adjustment Contracts.

iii) Designation at fair value through Profit or Loss

Each Currency-Hedged Metal Security comprises a financial instrument whose redemption price is linked to the underlying Metal Bullion and Metal Adjustment Contracts. 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 the Currency-Hedged Metal Securities, the Metal Bullion and Metal Adjustment 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 aggregate of the movement in the cumulative difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal 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 Value (as set out in the prospectus) of Currency-Hedged Metal Securities'.

Metal Bullion and Currency-Hedged Metal Securities Awaiting Settlement

The issue or redemption of Currency-Hedged Metal Securities, and the transfer of Metal Bullion is accounted for on transaction date. Where settlement pricing is applied, the transaction will not settle until two days after the transaction date. Where transactions are awaiting settlement at the period end, the monetary value of the Metal Bullion and the Currency-Hedged Metal Securities 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 Currency-Hedged Metal Securities are recognised at the date on which the transaction becomes legally binding. All other income and expenses are recognised on an accruals basis.

2. Accounting Policies (continued)

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 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. Creation and redemption fees are translated at the average rate for the month in which they are incurred. The resulting differences are accounted for through profit or loss.

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, precious metals, and one geographical segment which is Europe. In addition the Company has no single major customer from which greater than 10% of revenue is generated. 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 2016 USD	2015 USD
Creation and Redemption Fees	6,784	6,083
Management Fees	436,217	47,970
Hedging Fees	198,385	21,805
Total Revenue	**641,386**	**75,858**
ManJer Fees	(641,386)	(75,858)
Total Operating Expenses	**(641,386)**	**(75,858)**
Operating Result	**-**	**-**

Audit Fees for the year of GBP 8,630 will be met by ManJer (2015: GBP 8,500).

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	
	2016	**2015**
	USD	**USD**
Management Fees and Hedging Fees	671,648	131,360
Creation and Redemption Fees	2,472	1,475
Stated Capital Receivable	3	3
	674,123	**132,838**

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

6. Metal Bullion Exposure

	As at 31 December	
	2016	**2015**
	USD	**USD**
Change in Fair Value for the Year of Metal Bullion and Metal Adjustment Contracts	**(36,087,996)**	**(1,933,830)**
Metal Bullion at Fair Value	295,921,122	14,013,749
Metal Adjustment Contracts at Fair Value:		
Metal Bullion Receivable	2,432,220	-
Metal Bullion Payable	-	(117,544)
	2,432,220	(117,544)
Metal Bullion Exposure at Fair Value	**298,353,342**	**13,896,205**

The Company holds Metal Bullion and Metal Adjustment Contracts to support the Currency-Hedged Metal Securities as determined by the Metal Entitlement (which is calculated in accordance with an agreed formula published in the prospectus). In accordance with the Metal Adjustment Agreements, the Metal Adjustment Contracts can be converted into Metal Bullion. As a result the Metal Bullion together with the Metal Adjustment Contracts provides the aggregate Metal Bullion Exposure required by the Metal Entitlement of each class of Currency-Hedged Metal Security.

As at 31 December 2016, there was no Metal Bullion receivable or payable awaiting the creation or redemption of Securities with transaction dates before the year end and settlement dates in the following year (2015: Nil).

7. Currency-Hedged Metal Securities

Whilst the Currency-Hedged Metal Securities are quoted on the open market, the Company's liability relates to its contractual obligations to issue and redeem Currency-Hedged Metal Securities in exchange for Metal Bullion and Metal Adjustment Contracts as determined by the Metal Entitlement of each class of Currency-Hedged Metal Security on each trading day. The monetary value of each creation and redemption of Currency-Hedged Metal Securities is recorded based on the Contractual Value. Therefore, the issue and redemption of Currency-Hedged Metal Securities is recorded at a value that corresponds to the value of the Metal Bullion transferred in respect of the issue and redemption. As a result the Company has no net exposure to gains or losses on the Currency-Hedged Metal Securities and Metal Bullion and Metal Adjustment Contracts.

The Company measures the Currency-Hedged Metal Securities at their market value in accordance with IFRS 13 rather than their Contractual Value described above. The transferable value is deemed to be the prices quoted on stock exchanges or other markets where the Currency-Hedged Metal Securities are listed or traded. However Metal Bullion and Metal Adjustment Contracts are valued based on the price established in respect of each type and currency of bullion as at the end of each Pricing Day by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC.

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	
	2016	2015
	USD	USD
Change in Fair Value for the Year	**34,414,388**	**1,927,904**
Currency-Hedged Metal Securities at Fair Value	**300,049,000**	**13,918,255**

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

	As at 31 December	
	2016	2015
	USD	USD
Change in Contractual Redemption Value for the Year	**36,087,996**	**1,933,830**
Currency-Hedged Metal Securities at Contractual Redemption Value	**298,353,342**	**13,896,205**

The gain or loss on the difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal Securities would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities and transfer of the corresponding Metal Bullion.

The overall impact is that through the mis-matched accounting values, the results of the Company reflect a gain or loss on the aggregate of the movement in the difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal Securities.

7. Currency-Hedged Metal Securities (continued)

	Year ended 31 December	
	2016	2015
	USD	USD
Net Loss Arising on Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	(36,087,996)	(1,933,830)
Net Gain Arising on Contractual Redemption Value of Currency-Hedged Metal Securities	34,414,388	1,927,904
	(1,673,608)	**(5,926)**

As at 31 December 2016, there were no Currency-Hedged Metal Securities awaiting settlement in respect of creations or redemptions with transaction dates before the year end and settlement dates in the following year (2015: USD Nil).

8. Trade and Other Payables

	As at 31 December	
	2016	2015
	USD	USD
ManJer Fees Payable	**674,120**	**132,835**

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

9. Stated Capital

	As at 31 December	
	2016	2015
	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 in accordance with its Memorandum of Association.

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"). ETF Securities Limited ("ETFSL") is the parent company of HoldCo.

10. Related Party Disclosures

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

Fees charged by ManJer during the year:

	Year ended 31 December	
	2016	2015
	USD	USD
ManJer Fees	**641,386**	**75,858**

10. Related Party Disclosures (continued)

The following balances were due to ManJer at year end:

	Year ended 31 December	
	2016	2015
	USD	USD
ManJer Fees Payable	**674,120**	**132,835**

As disclosed in the Directors' Report, ManJer paid Directors' Fees in respect of the Company of GBP 8,000 (2015: GBP 7,500).

Steven G Ross is a director of R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator"). (Graeme D Ross was also director of R&H until 31 December 2016). During the year, R&H charged ManJer administration fees in respect of the Company of GBP 16,500 (2015: GBP 24,000), of which GBP 4,125 (2015: GBP 6,000) 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. Christopher JM Foulds is the Compliance Officer of ManJer.

At 31 December 2016, USD 3 (2015: USD 3) is receivable from HoldCo.

11. Financial Risk Management

The Currency-Hedged Metal 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 is 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 Currency-Hedged Metal Securities and investors should refer to the most recent prospectus for a detailed summary of the risks inherent in investing in the Currency-Hedged Metal 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, the Custodian or the FX Counterparty will default on its contractual obligations resulting in financial loss.

Credit risk in respect of Authorised Participants is 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 Currency-Hedged Metal Securities will be created therefore the Company does not have the risk of loss of the amount expected to be received.

There is also a credit risk arising from the FX Counterparty to repay the FX component of the redemption price and may be affected by the credit rating attached to the FX Counterparties (currently the only FX Counterparty is Morgan Stanley & Co. International plc ("Morgan Stanley")). The Company manages its credit risk by only entering into Metal Adjustment Agreement Energy Contracts with FX Counterparties who are believed to be creditworthy.

Credit risk also includes custodial risk. The Company holds a corresponding amount of the Metal Bullion stored with the custodian. The custodian is not required to take out insurance and neither is the Trustee. Accordingly, there is a risk that the secured Metal Bullion could be lost, stolen or damaged and the Company would not be able to satisfy its obligations in respect of the Currency-Hedged Metal Securities.

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.

When Currency-Hedged Metal Securities are redeemed, the Company transfers the corresponding amount of Metal Bullion determined by the Metal Entitlement. The value of the Metal Bullion returned will always be the same as that of the Currency-Hedged Metal Securities being redeemed, therefore any redemption of Currency-Hedged Metal Securities would not impact the liquidity of the Company. Furthermore, while the agreements with the FX Counterparties include limits (both daily and in the aggregate), the Company is not obliged to issue and redeem Currency-Hedged Metal Securities in excess of those limits under the terms of the Metal Adjustment Agreement.

(c) 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 Currency-Hedged Metal Securities fluctuates according to value of the Metal Bullion and Metal Adjustment Contracts. The risk of such change in price is managed by the Company holding Metal Bullion and Metal Adjustment Contracts in the same quantity as its liability. Therefore, the Company bears no financial risk from a change in the price of Metal Bullion and Metal Adjustment Contracts.

However, there is an inherent risk from the point of view of investors as the price of Metal Bullion and Metal Adjustment Contracts and the value of the Currency-Hedged Metal Securities may vary widely due to, amongst other things, changes in exchange rates, changing supply or demand for Metal Bullion, government and monetary policy or intervention and global or regional political, economic or financial events.

The market price of Currency-Hedged Metal Securities is a function of supply and demand amongst investors wishing to buy and sell Currency-Hedged Metal Securities and the bid or 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 the Metal Bullion, the Metal Adjustment Contracts and the Currency-Hedged Metal Securities do not bear any interest.

iii) Currency Risk
The Company has exposure to currency risk as the Currency-Hedged Metal Securities are priced in US Dollars and hedged against exchange rate movements between the US Dollar and the Euro or Pound Sterling. However, 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 Currency-Hedged Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion and Metal Adjustment Contracts.

11. Financial Risk Management (continued)

(d) Settlement Risk

Settlement risk primarily refers to the risk that an Authorised Participant, the Custodian or the FX 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 Metal Bullion, entering into Metal Adjustment Contracts or delivering Currency-Hedged Metal Securities on the settlement date. The Currency-Hedged Metal Securities settle through the CREST system. The directors feel that this risk is mitigated as Currency-Hedged Metal Securities are not issued until the required amount of Metal Bullion has been received in the Custodian account, and Metal Bullion is not transferred until the relevant Currency-Hedged Metal Securities have been delivered in CREST. As a result each transaction does not settle until all parties have fulfilled their contractual obligations.

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

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

The Company's rights and liabilities in respect of Metal Bullion, Metal Adjustment Contracts and Currency-Hedged Metal Securities, relate to its contractual obligations to issue and redeem Currency-Hedged Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement of each class of Metal Security on each trading day. The monetary value of each creation and redemption of each type and currency of bullion is calculated by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC. As a result the Company's contractual and economic monetary liability in connection with the issue of Currency-Hedged Metal Securities is matched by movements in the monetary value of the corresponding Metal Bullion and Metal Adjustment 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.

(f) Capital Management

The Company's principal activity is the issue and listing Currency-Hedged Metal Securities. These Currency-Hedged Metal Securities are issued and redeemed as demand requires. The Company holds a corresponding amount of Metal Bullion and Metal Adjustment Contracts which in aggregate match the total liability of the Currency-Hedged Metal Securities issued. ManJer supplies or arranges for the supply of all management and administration services to the Company and pays all management and administration costs of the Company. In return for which the Company pays ManJer a fee, which under the terms of the service agreement is equal to the aggregate of the Management Fee, Hedging Fee 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 Currency-Hedged Metal Securities in issue are supported by an equivalent amount of Metal Bullion and Metal Adjustment Contracts held, and the running costs of the Company are 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 Metal Securities.

11. Financial Risk Management (continued)

(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 Currency-Hedged Metal Securities are quoted and actively traded on the open market. Therefore Currency-Hedged Metal Securities are classified as Level 1 financial liabilities.

The Company holds Metal Bullion and Metal Adjustment Contracts to support the Currency-Hedged Metal Securities as determined by the Metal Entitlement (which is calculated in accordance with an agreed formula published in the prospectus). The Company has contractual obligations to issue and redeem Currency-Hedged Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement of each class of Metal Security on each trading day. The monetary value of each creation and redemption of each type and currency of bullion is calculated by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC. Therefore, Metal Bullion and Metal Adjustment Contracts are classified as level 2 assets (or liabilities), as the value 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 as at 31 December	
	2016	**2015**
	USD	**USD**
Level 1		
Currency-Hedged Metal Securities	**(300,049,000)**	**(13,918,255)**
Level 2		
Metal Bullion	295,921,122	14,013,749
Metal Adjustment Contracts	2,432,220	(117,544)
	298,353,342	**13,896,205**

The Currency-Hedged Metal Securities and Metal Bullion together with the Metal Adjustment Contracts are recognised at fair value through profit or loss upon initial recognition in line with the Company's accounting policy. There are no assets or liabilities classified in level 3. There were no reclassifications during the year.

Metal Bullion is not considered to be a financial asset; however, it has been presented here for purposes of consistency with prior periods and to show a matching between assets and liabilities.

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.

The value of the Metal Bullion and the Metal Adjustment Contracts backing the Currency-Hedged Metal Securities is wholly attributable to the holders of the Currency-Hedged Metal Securities.

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 2016 or on the results and cash flows of the Company for the year ended on that date.

The intelligent alternative.