



# **ETFS HEDGED METAL SECURITIES LIMITED**

**Registered No: 95996**

**Unaudited Interim Financial Report for the  
Six Months to 30 June 2015**

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DIRECTORS' REPORT

The directors of ETFS Currency-Hedged Metal Securities Limited (“HMSL” or the “Company”) submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2015.

**Directors**

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

- Mr Graham J Tuckwell - Chairman
- Mr Graeme D Ross
- Mr Joseph L Roxburgh
- Mr Mark K Weeks

**Directors' Interests**

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

<u>Director</u>	<u>Ordinary Shares of Nil Par Value</u>
Graham J Tuckwell (as controlling party of ETF Securities Limited (“ETFSL”))	2

**Principal Activities**

During the period there were no significant changes in the nature of the Company's activities.

**Review of Operations**

During the period, the Company had the following classes of Currency-Hedged Metal Securities in issue and admitted to trading on the following exchanges:

<u>Security</u>	<u>London Stock Exchange</u>	<u>Borsa Italia</u>	<u>Deutsche Börse</u>
GBP Currency-Hedged Metal Securities	1	1	-
EUR Currency-Hedged Metal Securities	-	-	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>

As at 30 June 2015, assets under management amounted to USD 12.9 million (31 December 2014: USD 4.6 million). The Company recognises its financial assets (Metal Bullion) and financial liabilities (Currency-Hedged Metal Securities) at fair value in the Statement of Financial Position.

During the period, the Company generated income from creation and redemption fees and management fees as follows:

	<u>30 June 2015</u>	<u>30 June 2014</u>
	<u>USD</u>	<u>USD</u>
Creation and Redemption Fees	4,586	2,517
Management Fees	27,211	44,731
<b>Total Fee Income</b>	<b>31,797</b>	<b>47,248</b>

Under the terms of the service agreement with ETFS Management Company (Jersey) Limited (“ManJer”), the Company accrued expenses equal to the management fees and creation and redemption fees, which, after taking into account other operating income and expenses, resulted in an operating result for the period of USD Nil (30 June 2014: USD Nil).

**Review of Operations (continued)**

The gain or loss on Currency-Hedged Metal Securities and Metal Bullion is 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 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 is marked to fair value at the end of each Pricing Day by reference to the Comex futures indices for Metal Bullion.

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

IFRS 13 requires the Company to utilise the available market price for the Currency-Hedged Metal Securities as quoted on the open market. As a result of the difference in valuation methodology between the Metal Bullion and 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 agreed formula price of the Currency Hedged Metal Bullion 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 and transfer of the equivalent Metal Bullion.

**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 interim financial statements.

**Dividends**

There were no dividends declared or paid in the current 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 period is disclosed below.

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>GBP</b>	<b>GBP</b>
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	3,750
Mr Joseph L Roxburgh	Nil	Nil
Mr Mark K Weeks	Nil	Nil

On behalf of the directors



**Joseph L Roxburgh**  
 Director  
 Jersey  
 28 August 2015

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

Company law requires the directors to prepare interim financial statements for each financial period. Under that law the directors have elected to prepare the interim 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, the 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

A handwritten signature in blue ink, appearing to read 'Joseph L Roxburgh'.

**Joseph L Roxburgh**  
Director

28 August 2015



	Note	Period ended 30 June 2015 Unaudited USD	Period ended 30 June 2014 Unaudited USD
<b>Revenue</b>	2	31,797	47,248
<b>Expenses</b>	2	(31,797)	(47,248)
<b>Operating Result</b>	2	<u>-</u>	<u>-</u>
Net Loss Arising on Contractual and Fair Value of Metal Bullion	5	134,265	1,557,058
Net Gain Arising on Fair Value of Currency-Hedged Metal Securities	6	(121,482)	(1,589,985)
<b>Result and Total Comprehensive Income for the Period</b>		<u>12,783</u>	<u>(32,927)</u>
<sup>1</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Currency-Hedged Metal Securities	1	(12,783)	32,927
<b>Adjusted Result and Total Comprehensive Income for the Period</b>		<u>-</u>	<u>-</u>

The directors consider the Company's activities as continuing.

<sup>1</sup> The definition of non-statutory adjustments is set out on page 9. This represents the movement in the difference between the agreed formula price of the Metal Bullion and the market price of Hedged Metal Securities.

The notes on pages 8 to 13 form part of these financial statements

	Note	As at	
		30 June 2015 Unaudited USD	31 December 2014 Audited USD
<b>Current Assets</b>			
Trade and Other Receivables	4	115,042	84,522
Metal Bullion	5	12,897,501	4,560,252
<b>Total Assets</b>		<u>13,012,543</u>	<u>4,644,774</u>
<b>Current Liabilities</b>			
Currency-Hedged Metal Securities	6	12,900,842	4,576,376
Trade and Other Payables	7	115,039	84,519
<b>Total Liabilities</b>		<u>13,015,881</u>	<u>4,660,895</u>
<b>Equity</b>			
Stated Capital	8	3	3
Revaluation Reserve	6	(3,341)	(16,124)
<b>Total Equity</b>		<u>(3,338)</u>	<u>(16,121)</u>
<b>Total Equity and Liabilities</b>		<u>13,012,543</u>	<u>4,644,772</u>

The financial statements on pages 4 to 13 were approved by the board of directors and signed on its behalf on 28 August 2015.



**Joseph L. Roxburgh**  
Director



	Period ended 30 June 2015 Unaudited USD	Period ended 30 June 2014 Unaudited USD
<b>Operating Result for the Period</b>	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Increase in Receivables	(30,523)	(14,562)
Increase in Payables	30,523	14,562
Cash Generated from/(Used in) Operations	-	-
<b>Net Movement in Cash and Cash Equivalents</b>	-	-
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Movement in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Period	-	-

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





	Note	Stated Capital USD	Retained Earnings USD	Revaluation Reserve <sup>2</sup> USD	Total Equity USD	Adjusted Total Equity USD
Audited Opening Balance at 1 January 2014		3	-	(9,011)	(9,008)	3
Result and Total Comprehensive Income for the Period		-	(32,927)	-	(32,927)	(32,927)
Transfer to Revaluation Reserve		-	32,927	(32,927)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Currency-Hedged Metal Securities		-	-	-	-	32,927
Unaudited Balance at 30 June 2014		<u>3</u>	<u>-</u>	<u>(41,938)</u>	<u>(41,935)</u>	<u>3</u>
Unaudited Opening Balance at 1 July 2014		3	-	(41,938)	(41,935)	3
Result and Total Comprehensive Income for the Period		-	25,814	-	25,814	25,814
Transfer to Revaluation Reserve		-	(25,814)	25,814	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Currency-Hedged Metal Securities		-	-	-	-	(25,814)
Audited Balance at 31 December 2014		<u>3</u>	<u>-</u>	<u>(16,124)</u>	<u>(16,121)</u>	<u>3</u>
Audited Opening Balance at 1 January 2015		3	-	(16,124)	(16,121)	3
Result and Total Comprehensive Income for the Period		-	12,783	-	12,783	12,783
Transfer to Revaluation Reserve		-	(12,783)	12,783	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Currency-Hedged Metal Securities		-	-	-	-	(12,783)
Unaudited Balance at 30 June 2015		<u>3</u>	<u>-</u>	<u>(3,341)</u>	<u>(3,338)</u>	<u>3</u>

<sup>2</sup> This represents the difference between the agreed formula price of the Metal Bullion and the market price of Hedged Metal Securities.

<sup>3</sup> The definition of non-statutory adjustments is set out on page 9.

The notes on pages 8 to 13 form part of these financial statements

## 1. Accounting Policies

The main accounting policies of the Company are described below.

### Basis of Preparation

The interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The interim 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 accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2014.

The presentation of interim 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 Metal Bullion and Currency-Hedged Metal Securities held at fair value through the profit or loss as disclosed in notes 5 and 6. Actual results could vary from these estimates.

This half yearly report has not been audited or reviewed by the Company's auditors.

### Accounting Standards

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

- Amendments to IFRS 10 Consolidated Financial Statements - Investment Entities
- Amendments to IFRS 12 Disclosure of Interests in Other Entities - Investment Entities
- Amendments to IAS 27 Separate Financial Statements - Investment Entities
- Amendments to IAS 36 Impairment of Assets - recoverable amount disclosures for non-financial assets
- Amendments to IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement - novation of derivatives and continuation of hedge accounting
- IFRIC 21 Levies

(b) *Standards, amendments and interpretations that are in issue but 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 IFRS 11 Joint Arrangements - accounting for acquisitions of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 16 Property, Plant and Equipment - clarification of acceptable methods of depreciation and amortisation and bringing bearer plants within scope (effective for annual periods beginning on or after 1 January 2016)

## 1. Accounting Policies (continued)

### Accounting Standards (continued)

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

- IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Amendments to IAS 38 Intangible Assets - clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 41 Agriculture - bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRS (effective for annual periods beginning on or after 1 July 2014)

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 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) Issuance 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 trade date.

#### ii) Pricing

A single price is established in respect of the Metal Bullion as at the end of each Pricing Day by reference to the Comex futures indices for Metal Bullion.

IFRS 13 requires the Company to utilise the available market price of the Currency-Hedged Metal Securities as those Currency-Hedged Metal Securities are quoted on the open market. The Currency-Hedged Metal Securities are priced using the mid-market price on the statement of financial position date taken just before the final close of the market.

Consequently a difference arises between the value of Metal Bullion (based on the agreed formula price) 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 transfer of the corresponding Metal Bullion.

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

Through the mis-matched accounting values, the results of the Company reflect a gain or loss which represents the movement in the cumulative difference between the agreed formula price of the Metal Bullion 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 Formula Price (as set out in the prospectus) of Currency-Hedged Metal Securities'.

**1. Accounting Policies (continued)**

**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 redeemed by the Company. As the redemption of Currency-Hedged Metal Securities would coincide with the payment of an equal amount (in value) of Metal Bullion, no liquidity risk is considered to arise. All other liabilities are met by ManJer; therefore the directors consider the Company to be a going concern and have prepared the financial statements on this basis.

**Segmental Reporting**

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 UK and Europe. All information relevant to the understanding of the Company's activities is included in these financial statements.

**2. Operating Result**

Operating result for the period comprised:

	Period ended 30 June 2015 Unaudited USD	Period ended 30 June 2014 Unaudited USD
Creation and Redemption Fees	4,586	2,517
Management Fees	27,211	44,731
<b>Total Revenue</b>	<b>31,797</b>	<b>47,248</b>
Management Fees to ManJer	(31,797)	(47,248)
<b>Total Operating Expenses</b>	<b>(31,797)</b>	<b>(47,248)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

**3. Taxation**

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

**4. Trade and Other Receivables**

	As at	
	30 June 2015 Unaudited USD	31 December 2014 Audited USD
Management Fees and Hedging Fees	108,747	81,401
Creation and Redemption Fees	6,292	3,118
Stated Capital Receivable	3	3
	<b>115,042</b>	<b>84,522</b>

**5. Metal Bullion**

	As at	
	30 June 2015	31 December 2014
	Unaudited USD	Audited USD
Change in Fair Value for the Period/Year	134,265	247,907
Fair Value of Metal Bullion Held	12,897,501	4,560,252

As at 30 June 2015, there were no amounts of Metal Bullion awaiting the creation or redemption of Currency-Hedged Metal Securities with trade dates before the period end and settlement dates in the following period.

**6. 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 trade at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published net asset values ("NAV") of each class of Currency-Hedged Metal Security. Therefore, the actual contractual issue and redemption of Currency-Hedged Metal Securities occur at a price that corresponds to gains or losses on the Metal Bullion. As a result the Company has no net exposure to gains or losses on the Currency-Hedged Metal Securities and Metal Bullion.

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

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

	As at	
	30 June 2015	31 December 2014
	Unaudited USD	Audited USD
Change in Fair Value for the Period/Year	(121,482)	(255,020)
Currency-Hedged Metal Securities	12,900,842	4,576,376

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

	As at	
	30 June 2015	31 December 2014
	Unaudited USD	Audited USD
Change in Contractual Redemption Value for the Period/Year	(134,265)	(247,907)
Currency-Hedged Metal Securities at Contractual Redemption Value	12,897,501	4,560,252



**6. Currency-Hedged Metal Securities (continued)**

The gain or loss on the difference between the agreed formula price of the Metal Bullion and the market price of Currency-Hedged Metal Securities would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities and cancellation 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 movement in the difference between the agreed formula price of the Metal Bullion and the market price of Currency-Hedged Metal Securities.

	Period Ended 30 June 2015 Unaudited USD	Year Ended 31 December 2014 Audited USD
Net Loss Arising on Contractual and Fair Value of Metal Bullion	134,265	247,907
Net Gain Arising on Fair Value of Currency-Hedged Metal Securities	(121,482)	(255,020)
	12,783	(7,113)

As at 30 June 2015, there were no Currency-Hedged Metal Securities awaiting creation or redemption with trade dates before the period end and settlement dates in the following period.

**6. Trade and Other Payables**

	As at	
	30 June 2015 Unaudited USD	31 December 2014 Audited USD
Management Fees Payable to ManJer	115,039	84,519

**7. Stated Capital**

	As at	
	30 June 2015 Unaudited USD	31 December 2014 Audited 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").



**8. 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 period:*

	<b>Period Ended 30 June 2015 Unaudited USD</b>	<b>Year Ended 31 December 2014 Audited USD</b>
Management Fees	31,797	63,422

*The following balances were due to ManJer at the period end:*

	<b>As at</b>	
	<b>30 June 2015 Unaudited USD</b>	<b>31 December 2014 Audited USD</b>
Management Fees Payable	115,039	84,519

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 3,750 (30 June 2013: GBP 3,750).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer secretarial and administration fees in respect of the Company of GBP 10,750 (30 June 2014: GBP 23,250), of which GBP 5,375 (30 June 2014: GBP 11,625) was outstanding at the period end.

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

**9. 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.

