



# **ETFS Hedged Commodity Securities Limited**

**Registered No: 109413**

**Unaudited Interim Financial Report for the  
Six Months to 30 June 2019**

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The directors of ETFS Hedged Commodity Securities Limited ("HCSL" or the "Company") submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2019.

### Directors

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

Gregory Barton (resigned 15 March 2019)  
 Hilary Jones  
 Steven Ross  
 Peter Ziemba

### Directors' Interests

No director has an interest in the Ordinary Shares of the Company as at the date of this report.

### Principal Activities

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

### Review of Operations

As at 30 June 2019, the Company had the following number of classes, in aggregate, of Currency-Hedged Commodity Securities in issue and admitted to trading on the following exchanges:

	London Stock Exchange	Borsa Italiana	Deutsche Börse
Classic and Longer Dated GBP-Hedged Commodity Securities	14	-	-
Classic and Longer Dated EUR-Hedged Commodity Securities	-	18	11
<b>Total Currency-Hedged Commodity Securities</b>	<b>14</b>	<b>18</b>	<b>11</b>

As at 30 June 2019, the fair value of assets under management amounted to USD 141.7 million (31 December 2018: USD 185.6 million). The Company recognises its financial assets (Commodity Contracts) and financial liabilities (Currency-Hedged Commodity Securities) at fair value in the Condensed Statement of Financial Position.

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

	30 June 2019 USD	30 June 2018 USD
Creation and Redemption Fees	80,935	89,601
Management Fees and Licence Allowance	437,476	780,265
<b>Total Fee Income</b>	<b>518,411</b>	<b>869,866</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 licence allowance 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 2018: USD Nil).

### Review of Operations (continued)

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

The Company has entered into contractual obligations to issue and redeem Currency-Hedged Commodity 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 NAVs of each class of Currency-Hedged Commodity Securities.

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 Commodity Securities are listed to be the principal market and as a result the fair value of the Currency-Hedged Commodity 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 Commodity Contracts and Currency-Hedged Commodity Securities there is a mis-match between accounting values, and the results of the Company reflect a gain or loss on the difference between the Contractual Value of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities. This gain or loss would be reversed on a subsequent redemption of the Currency-Hedged Commodity Securities and cancellation of the corresponding Commodity Contracts. This is presented in more detail in note 5 to these interim financial statements.

### Future Developments

#### *United Kingdom's ("UK's") withdrawal from the European Union ("EU")*

The process for the UK's withdrawal from the EU is still ongoing, the UK's future relationship with the EU is still uncertain and the renegotiations of treaties and agreements, together with legislation changes, have yet to be completed.

The Company is domiciled in Jersey, outside of the EU, and the Currency-Hedged Commodity 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 EU Prospectus Directive.

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

The Currency-Hedged Commodity Securities continue to comply with all applicable laws and regulations. Continued assessment of the impact will be required throughout the withdrawal process.

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 interim financial statements.

### Directors' Remuneration

No director has a service contract with the Company. The directors of the Company who were employees within the ETF Securities Limited group or are employees within the WisdomTree 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.

**Directors' Remuneration (continued)**

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

	30 June 2019 GBP	30 June 2018 GBP
Gregory Barton	Nil	Nil
Christopher Foulds	Nil	1,750
Hilary Jones	4,000	Nil
Steven Ross	4,000	4,000
Peter Ziemba	Nil	Nil

**Going Concern**

The nature of the Company's business dictates that the outstanding Currency-Hedged Commodity Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Currency-Hedged Commodity Securities will coincide with the cancellation of an equal amount of Commodity Contracts, 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 interim financial statements on this basis.

**Directors Statement**

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 interim financial statements for the period ended 30 June 2019 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 International Accounting Standards Board; 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 period and their impact on these interim financial statements.

On behalf of the directors



**Hilary Jones**  
12 September 2019

	Notes	Period ended 30 June	
		2019 Unaudited USD	2018 Unaudited USD
Revenue	2	518,411	869,866
Expenses	2	(518,411)	(869,866)
<b>Operating Result</b>		-	-
Net Gain/(Loss) Arising on Contractual and Fair Value of Commodity Contracts	3	16,756,946	(4,667,393)
Net (Loss)/Gain Arising on Fair Value of Currency-Hedged Commodity Securities	4	(17,836,011)	3,745,111
<b>Result and Total Comprehensive (Loss)/Income for the Period</b>		<b>(1,079,065)</b>	<b>(922,282)</b>
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities <sup>1</sup>	5	1,079,065	(922,282)
<b>Adjusted Result and Total Comprehensive Income for the Period</b>		<b>-</b>	<b>-</b>

The directors consider the Company's activities as continuing.

<sup>1</sup> An explanation of the non-statutory adjustment is set out on pages 10 and 11. This represents the movement in the difference between the Contractual Value of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities.

		As at	
		30 June 2019	31 December 2018
	Notes	Unaudited USD	Unaudited USD
<b>Current Assets</b>			
Trade and Other Receivables		140,938	167,602
Commodity Contracts	3	141,701,654	185,294,440
Amounts Receivable on Commodity Contracts Awaiting Settlement	3	2,396,963	501,209
Amounts Receivable on Currency Hedged Commodity Securities Awaiting Settlement	4	1,227,075	2,141,061
<b>Total Assets</b>		<b>145,466,630</b>	<b>188,104,312</b>
<b>Current Liabilities</b>			
Currency-Hedged Commodity Securities	4	142,548,974	185,062,695
Amounts Payable on Currency Hedged Commodity Securities Awaiting Settlement	4	2,396,963	501,209
Amounts Payable on Commodity Contracts Awaiting Settlement	3	1,227,075	2,141,061
Trade and Other Payables		140,935	167,599
<b>Total Liabilities</b>		<b>146,313,947</b>	<b>187,872,564</b>
<b>Equity</b>			
Stated Capital		3	3
Revaluation Reserve		(847,320)	231,745
<b>Total Equity</b>		<b>(847,317)</b>	<b>231,748</b>
<b>Total Equity and Liabilities</b>		<b>145,466,630</b>	<b>188,104,312</b>

The condensed interim financial statements on pages 4 to 13 were approved and authorised for issue by the board of directors and signed on its behalf on 12 September 2019.



**Hilary Jones**  
Director

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
<b>Operating Result for the Period</b>	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Decrease in Receivables	26,664	42,153
Decrease in Payables	(26,664)	(42,153)
Cash Generated from Operating Activities	-	-
<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	-	-
<b>Cash and Cash Equivalents at the End of the Period</b>	-	-

Currency-Hedged Commodity Securities are issued through a receipt of cash directly with the Commodity Contract Counterparties or redeemed by the transfer of cash directly by the Commodity Contract Counterparties. Cash flows in respect of the issue and redemption of Currency-Hedged Commodity Securities and the creation and cancellation of Commodity Contracts have been excluded in the Condensed Statement of Cash Flows.

	Notes	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 2018		3	-	1,447,180	1,447,183	3
Total Comprehensive Income for the Period		-	(922,282)	-	(922,282)	(922,282)
Transfer to Revaluation Reserve		-	922,282	(922,282)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities		-	-	-	-	922,282
<b>Unaudited Balance at 30 June 2018</b>		<b>3</b>	<b>-</b>	<b>524,898</b>	<b>524,901</b>	<b>3</b>
Unaudited Opening Balance at 1 July 2018		3	-	524,898	524,901	3
Total Comprehensive Income for the Period		-	(293,153)	-	(293,153)	(293,153)
Transfer to Revaluation Reserve		-	293,153	(293,153)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities		-	-	-	-	293,153
<b>Audited Balance at 31 December 2018</b>		<b>3</b>	<b>-</b>	<b>231,745</b>	<b>231,748</b>	<b>3</b>
Audited Opening Balance at 1 January 2019		3	-	231,745	231,748	3
Total Comprehensive Loss for the Period		-	(1,079,065)	-	(1,079,065)	(1,079,065)
Transfer to Revaluation Reserve	5	-	1,079,065	(1,079,065)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities	5	-	-	-	-	1,079,065
<b>Unaudited Balance at 30 June 2019</b>		<b>3</b>	<b>-</b>	<b>(847,320)</b>	<b>(847,317)</b>	<b>3</b>

<sup>2</sup> This represents the difference between the Contractual Value of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities.

<sup>3</sup> An explanation of the non-statutory adjustment is set out on pages 10 and 11.

## 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 2019 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 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 for the year ended 31 December 2018. Except as described below under *Changes in Accounting Standards* the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the financial statements for the year ended 31 December 2019.

The presentation of interim financial statements in conformity with International Financial Reporting Standards (“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 interim financial statements is in respect of the valuation of Commodity Contracts and Currency-Hedged Commodity Securities held at fair value through profit or loss as disclosed in notes 3 and 4. Actual results could vary from these estimates.

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

### Changes in Accounting Standards

On 1 January 2019 the Company adopted IFRS 16, IFRS 9, IAS 28, IAS 19 and annual improvements and have assessed that the adoption of these revised and amended accounting standards has not resulted in any changes to the accounting policies and disclosures within these financial statements.

## 2. Operating Result

Operating result for the period comprised:

	Period ended 30 June	
	2019	2018
	Unaudited	Unaudited
	USD	USD
Creation and Redemption Fees	80,935	89,601
Management Fees	396,968	708,018
Licence Allowance	40,508	72,247
<b>Total Revenue</b>	<b>518,411</b>	<b>869,866</b>
ManJer Fees	(518,411)	(869,866)
<b>Total Operating Expenses</b>	<b>(518,411)</b>	<b>(869,866)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

**3. Commodity Contracts**

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Fair Value	<u>16,756,946</u>	<u>(4,667,393)</u>
	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Commodity Contracts at Fair Value	<u>141,701,654</u>	<u>185,294,440</u>

As at 30 June 2019, there were certain Commodity Contracts awaiting settlement in respect of the creation or redemption of Currency-Hedged Commodity Securities with transaction dates before the period end and settlement dates in the following period:

- The amount payable on Commodity Contracts as a result of unsettled creations of Currency-Hedged Commodity Securities is USD 1,227,075 (31 December 2018: USD 2,141,061).
- The amount receivable on Commodity Contracts as a result of unsettled redemptions of Currency-Hedged Commodity Securities is USD 2,396,963 (31 December 2018: USD 501,209).

**4. Currency-Hedged Commodity Securities**

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Fair Value	<u>(17,836,011)</u>	<u>3,745,111</u>
	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Currency-Hedged Commodity Securities at Fair Value	<u>142,548,974</u>	<u>185,062,695</u>

As at 30 June 2019, there were certain Currency-Hedged Commodity Securities awaiting settlement in respect of creations or redemptions with transaction dates before the period end and settlement date in the following period:

- The amount payable as a result of unsettled redemptions of Currency-Hedged Commodity Securities is USD 2,396,963 (31 December 2018: USD 501,209).
- The amount receivable as a result of unsettled creations of Currency-Hedged Commodity Securities is USD 1,227,075 (31 December 2018: USD 2,141,061).

**5. Adjustment from Market Value to Contractual Value of Currency-Hedged Commodity Securities**

The Commodity Contracts are priced by reference to certain currency-hedged commodity indices calculated and published by Bloomberg L.P. or Bloomberg Finance L.P. (together “Bloomberg”) and a multiplier calculated by the Company and agreed with the Commodity Contract Counterparties. The multiplier takes into account the daily accrual of the management fee, licence allowance and swap spread as well as the incremental capital enhancement component of the Currency-Hedged Commodity Security, and is the same across all Currency-Hedged Commodity Securities of the same type (i.e. all Classic Currency-Hedged Commodity Securities use the same multiplier). This price is calculated based on the formula set out in the Prospectus, and is referred to as the ‘Contractual Value’.

The Company measures the Currency Securities at their market value than their Contractual Value (as described in the Prospectus) because 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 Commodity Securities are listed to be the principal markets and as a result the fair value of the Currency-Hedged Commodity Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. The Currency-Hedged Commodity Securities are priced using the closing mid-market price on the Statement of Financial Position date.

Consequently a difference arises between the value of Commodity Contracts (at Contractual Value) and Currency-Hedged Commodity Securities (at market value) presented in the Condensed Statement of Financial Position. This difference is reversed on a subsequent redemption of the Currency-Hedged Commodity Securities and cancellation of the corresponding Commodity Contracts.

Whilst the Currency-Hedged Commodity Securities are quoted on the open market, the Company’s liability relates to its contractual obligations to issue and redeem Currency-Hedged Commodity Securities at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAVs of each class of Currency-Hedged Commodity Security. Therefore, the actual contractual issue and redemption of Currency-Hedged Commodity Securities occur at a price that corresponds to gains or losses on the Commodity Contracts. As a result the Company has no net exposure to gains or losses on the Currency-Hedged Commodity Securities and Commodity Contracts.

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

	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Currency-Hedged Commodity Securities at Contractual Value	<u>141,701,654</u>	<u>185,294,440</u>
	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Contractual Value of Currency-Hedged Commodity Securities	<u>(16,756,946)</u>	<u>(4,667,393)</u>

**5. Adjustment from Market Value to Contractual Value of Currency-Hedged Commodity Securities (continued)**

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 Contractual Value (based on the formula set out in the Prospectus) of the Commodity Contracts and the market price of Currency-Hedged Commodity 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 Commodity Securities'.

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

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Net Gain/(Loss) Arising on Contractual and Fair Value of Currency-Hedged Commodity Contracts	16,756,946	(4,667,393)
Net (Loss)/Gain Arising on Fair Value of Currency-Hedged Commodity Securities	(17,836,011)	3,745,111
	<b>(1,079,065)</b>	<b>(922,282)</b>

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

This gain or loss is transferred to a Revaluation Reserve which is non-distributable and a reconciliation of the movements throughout the period/year is detailed below.

	2019 Unaudited USD	2018 Audited USD
Balance brought forward at 1 January	231,745	1,447,180
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities:		
Period 1 January to 30 June	(1,079,065)	(922,282)
Period 1 July to 31 December	-	(293,153)
	(1,079,065)	(1,215,435)
<b>Closing balance at 30 June/31 December</b>	<b>(847,320)</b>	<b>231,745</b>

**6. 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 Commodity Securities are quoted and actively traded on the open market. Therefore Currency-Hedged Commodity Securities are classified as level 1 financial liabilities.

The Company's rights in respect of Commodity Contracts relate to its contractual obligations to issue and redeem Currency-Hedged Commodity Securities at set prices on each trading day. These prices are based on an agreed formula (set out in the Prospectus), and are equal to the published NAVs of each class of Currency-Hedged Commodity Security. Therefore, Commodity Contracts are classified as level 2 financial assets, as the 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:

	<b>Period ended 30 June 2019 Unaudited USD</b>	<b>Year ended 31 December 2018 Audited USD</b>
<b>Level 1</b>		
Currency-Hedged Commodity Securities	<u>(142,548,974)</u>	<u>(185,062,695)</u>
<b>Level 2</b>		
Commodity Contracts	<u>141,701,654</u>	<u>185,294,440</u>

The Currency-Hedged Commodity Securities and the Currency-Hedged Commodity 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 period.

**7. Related Party Disclosures**

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

*Fees charged by ManJer during the period:*

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
ManJer Fees	<b>518,411</b>	<b>869,866</b>

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

	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
ManJer Fees	<b>140,935</b>	<b>167,599</b>

At 30 June 2019, USD 3 is receivable from ManJer (31 December 2018: USD 3).

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 8,000 (30 June 2018: GBP 5,750).

Hilary Jones and Steven Ross are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer administration fees in respect of the Company of GBP 18,000 (30 June 2018: GBP 15,250), of which GBP 9,000 (30 June 2018: GBP 9,000) was outstanding at the period end.

**8. Events Occurring After the Reporting Period**

There have been no significant events since the reporting period that require disclosure.

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