



# **WisdomTree Foreign Exchange Limited**

**Registered No: 103518**

**Report and Financial Statements for the  
Year ended 31 December 2020**

Management and Administration	1
Directors' Report	2-7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9-18
Statement of Profit or Loss and Other Comprehensive Income	19
Statement of Financial Position	20-21
Statement of Cash Flows	22
Statement of Changes in Equity	23
Notes to the Financial Statements	24-45

**Directors**

Stuart Bell  
Christopher Foulds  
Steven Ross  
Peter Ziemba

**Registered Office**

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

**Manager**

WisdomTree Management Jersey Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Auditor**

Ernst & Young LLP  
Liberation House  
Castle Street  
St Helier  
Jersey, JE1 1EY

**Custodian**

The Bank of New York Mellon  
Brussels Custody Client Services  
46 Rue Montoyer  
1000 Brussels, Belgium

**Company Secretary**

R&H Fund Services (Jersey) Limited  
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

**Currency Transaction Counterparty**

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

**Jersey Legal Advisers**

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

The directors of WisdomTree Foreign Exchange Limited ("FXL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2020.

### Directors

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

Stuart Bell	
Christopher Foulds	(Appointed 15 April 2020)
Hilary Jones	(Resigned 15 April 2020)
Steven Ross	
Peter Ziemba	

### Directors' Interests

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

### Principal Activities

The Company's principal activity is the issue and listing of collateralised currency securities ("Currency Securities"). Currency Securities are undated secured limited recourse financial instruments designed to provide investors with long or short exposure to the daily foreign exchange performance of developed or emerging market currencies or baskets of developed market currencies measured against the US Dollar ("USD"), the Euro ("EUR") or the British Pound ("GBP"), less applicable fees. This is achieved by the Currency Securities tracking published currency indices. The price of the Currency Securities is calculated on a daily basis to reflect the change in the relevant currency index and takes into account the payment of a management fee and a daily spread. The Currency Securities are denominated in USD, EUR or GBP.

Currency Securities are backed by unfunded currency transactions ("Currency Transactions") with terms corresponding to the terms of Currency Securities. Each time Currency Securities are issued or redeemed, corresponding Currency Transactions between the Company and the Currency Transaction Counterparty are created or closed by the Company. Cash received by the Company linked to Currency Transactions entered into with a Currency Transaction Counterparty is used to enter into a USD, GBP or EUR denominated daily repurchase transaction with the Currency Transaction Counterparty in exchange for eligible collateral on the terms described in the Company's Prospectus (collectively the "Underlying Assets"). On each day the Currency Transaction Counterparty is required to pay back the USD, GBP and EUR amounts in exchange for the eligible collateral held the previous day, which allows the Company to enter into new daily repurchase transactions in exchange for eligible collateral required on that day, however in accordance the terms of a supplemental agreement to the Collateral Administration Master Agreement those new daily repurchase transactions can be paired with maturing deals on the previous daily repurchase transactions meaning that the net amounts (in each of USD, GBP and EUR) are transferred each day. This daily process ensures that eligible collateral (at market fair value) received from the Currency Transaction Counterparty represents at least 100% of the daily repurchase transaction receivable on a daily basis. A daily payment amount will also be calculated in respect of each Currency Transaction on each day to reflect the movement in the relevant currency index and this amount will be payable by either the Company or the Currency Transaction Counterparty. No trading or management of futures contracts is required by the Company.

The Company has entered into a facility agreement with Morgan Stanley & Co. International plc ("Morgan Stanley"), currently the only Currency Transaction Counterparty, enabling the Company to create and cancel Currency Transactions on an ongoing basis.

The Company earns a management fee based upon the number of Currency Securities in issue, expressed as an annual percentage, calculated on a daily basis and reflected in the net asset value ("NAV") of the securities on a daily basis, and paid monthly in arrears.

**Principal Activities (continued)**

The Company has entered into a service agreement with WisdomTree Management 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 Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the aggregate of the management fee and the creation and redemption fees (the “ManJer Fee”). As a result, ManJer receives creation and redemption fees directly from the holders of Currency Securities who have entered into an authorised participant agreement with the Company (“Authorised Participants”). Accordingly, there are no related cash flows through the Company in respect of creation and redemption fees.

**Review of Operations**

The most recent Prospectus was issued on 4 January 2021. As at 31 December 2020 the Company had the following number of classes, in aggregate, of Currency Securities in issue and admitted to trading on the following exchanges:

	<b>London Stock Exchange</b>	<b>Borsa Italiana</b>	<b>Deutsche Börse</b>	<b>NYSE- Euronext Amsterdam</b>
USD Currency Securities	17	-	2	-
EUR Currency Securities	-	26	11	6
GBP Currency Securities	16	-	-	-
<b>Total Currency Securities</b>	<b>33</b>	<b>26</b>	<b>13</b>	<b>6</b>

As at 31 December 2020, the fair value of assets under management amounted to USD 454.1 million (2019: USD 430.5 million). The Company recognises its financial assets (Currency Transactions) and financial liabilities (Currency Securities) at fair value in the Statement of Financial Position.

The Company has entered into contractual obligations to issue and redeem Currency Securities at set prices on each trading day. These prices are based on agreed formulae published in the Prospectus, and are equal to the published NAV of each class of Currency Security.

IFRS 13 requires the Company to identify the principal market and to utilise the available price within that principal market. The directors consider the stock exchanges where the Currency Securities are listed to be the principal market and as a result the fair value of the Currency Securities is the on-exchange price as quoted on the stock exchange demonstrating active trading with the highest trading volume on each day that the price is obtained. As a result of the difference in valuation between Currency Transactions and Currency Securities there is a mis-match between the values recognised and the results of the Company reflect a gain or loss on the difference between the fair value of the Currency Transactions and the price of Currency Securities.

The gain or loss on Currency Securities and the Currency Transactions is recognised through profit or loss in line with the Company’s accounting policy. This is presented in more detail in note 7 to these financial statements.

The Company’s exposure to risks is disclosed in note 11 to the financial statements.

The Company is entitled to a management fee which is calculated on a daily basis, and creation and redemption fees on the issue and redemption of Currency Securities. During the year, the Company generated income from creation and redemption fees and management fees as follows:

	<b>2020 USD</b>	<b>2019 USD</b>
Creation and Redemption Fees	-	-
Management Fees	2,526,887	2,758,143
<b>Total Fee Income</b>	<b>2,526,887</b>	<b>2,758,143</b>

**Review of Operations (continued)***Non-GAAP Performance Measures*

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the management fee and creation and redemption fees, which, after taking into account other operating income and expenses, resulted in a result before fair value movements for the year of USD Nil (2019: USD Nil).

As the difference in the valuation of Currency Transactions (held to support the Currency Securities) and Currency Securities would be reversed on a subsequent redemption of the Currency Securities and closure of the corresponding Currency Transactions (as described further in note 6), the Company presents an adjusted Statement of Profit or Loss and Other Comprehensive Income and an adjusted Statement of Changes in Equity in note 14 of the financial statements.

*Coronavirus disease (COVID-19)*

The COVID-19 pandemic continues to persist and the ultimate duration of the pandemic and its short-term and long-term impact on the global economy is unknown. National governments and supranational organisations in multiple states continue taking steps designed to protect their populations from COVID-19, including requiring or encouraging home working, the cancellation of sporting, cultural and other events and restricting or discouraging gatherings of people. COVID-19 has created market turmoil and increased market volatility generally. Mutations in the virus, a setback in vaccine distribution and negative global economic consequences arising from the pandemic, amongst other factors, could have a future adverse impact on the global financial markets. The steps outlined above, and public sentiment, may affect both the volatility and prices of Currency Transactions and hence the prices of the Currency Securities, and such effects may be significant and may be long-term in nature.

The directors are closely monitoring the advice and developments relating to the spread of COVID-19, which is fluid and rapidly changing. The WisdomTree group has, and continues to implement measures to maintain the ongoing safety and well-being of employees, whilst continuing to operate business as usual.

*Restatement as a result of a reassessment of the accounts held with the Custodian and Collateral Administrator and the impact of the reassessment on presented Cash Flows*

Under the terms of the Collateral Administration Master Agreement, the Company has established and maintains Custody Accounts with The Bank of New York Mellon (as both Custodian and Collateral Administrator) in respect of its dealings with the Currency Transaction Counterparty. The Company has also established separate Cash Accounts (GBP, USD and EUR) with The Bank of New York Mellon as well as to facilitate the transfer of the Daily Payment Amounts required for the subsequent days daily repurchase transaction.

For the purpose of the financial statements, the cash held in the Cash Accounts was previously determined to be a part of the counterparty balance and therefore not presented separately as cash on the Statement of Financial Position. The amount of cash held at the close of each day is equal to the amounts accrued but not yet transferred in respect to management fees, net of any interest applied to the Cash Accounts by The Bank of New York Mellon. This balance was previously recognised as a receivable on the Statement of Financial Position.

Following a reassessment of the Cash Accounts, as well as the cash flows through those Cash Accounts and the Custody Accounts, the Company has determined that the balances on the Cash Accounts are required to be presented separately as cash on the Statement of Financial Position and not as a receivable, as well as ensuring that the receipts and payments between those Cash Accounts and the Custody Accounts are reflected on the Statement of Cash Flows accordingly to reflect the operation of the daily processing taking place. The operation of the daily processing taking place has not changed, and is not impacted by this reassessment.

Therefore, as a result of the error, the directors have restated the comparative information as of 1 January 2019, the start of the earliest period for which information is presented, and for the year ended 31 December 2019. The changes in presenting the financial position and the cash flows has been accounted for in accordance with International Accounting Standard 8 — Accounting Policies, Changes in Accounting Estimates and Errors. Further details of the impact on these financial statements are described in note 2. Furthermore this restatement process has resulted in a delay in the publication of the financial statements.

### Going Concern

The nature of the Company's business dictates that the outstanding Currency Securities may be redeemed at any time by Authorised Participants and in certain circumstances by individual holders and also, in certain circumstances, may be compulsorily redeemed by the Company. As the redemption of Currency Securities will always coincide with the closing of an equal amount of Currency Transactions, liquidity risk is mitigated such that there is no residual liquidity risk. All other expenses of the Company are met by ManJer. The directors are closely monitoring the advice and developments relating to the spread of COVID-19, particularly with its impact on ManJer, its assets under management, and therefore its related revenue streams, in respect of fulfilling the obligations under the services agreement. The directors consider the operations of the Company to be ongoing, with a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of these financial statements, and accordingly these financial statements have been prepared on the going concern basis.

### Future Developments

The Board of directors (the "Board") are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or the attached financial statements.

### Dividends

There were no dividends declared or paid in the year (2019: 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.

### 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

The Independent Auditor is Ernst & Young LLP. A resolution to re-appoint Ernst & Young LLP will be proposed at the next Board meeting of the directors.

### Directors' Remuneration

No director has a service contract with the Company. The directors of the Company who are employees within the WisdomTree Investments, Inc 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 following directors' fees have been paid by ManJer on behalf of the Company for the year:

		<b>2020</b>	<b>2019</b>
		<b>GBP</b>	<b>GBP</b>
Stuart Bell		Nil	Nil
Christopher Foulds	(Appointed 15 April 2020)	5,685	Nil
Hilary Jones	(Resigned 15 April 2020)	2,315	8,000
Steven Ross		8,000	8,000
Peter Ziemba		Nil	Nil

---

**Principle Risks and Uncertainties**

The Company has exposure to country and currency risk as the Currency Securities provide investors with long or short exposure to the daily foreign exchange performance of developed and emerging market currencies measured against USD, EUR or GBP. 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 Securities are matched economically by corresponding losses or gains attributable to the Currency Transactions.

Each Currency Security is a debt instrument whose redemption price is linked to the performance of the underlying currency index. Each class of Currency Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Underlying Assets held to support the Currency Securities and not to the Underlying Assets of any other class of Currency Security or the Company. In addition, since any movements in value of those Underlying Assets backing the Currency Securities are wholly attributable to the holders of the Currency Securities, the Company has no residual exposure to movements in the value of the Underlying Assets. From a commercial perspective the Company does not retain any net gains or losses or net risk exposures, as (with the exception of the impact of management fees) the gains or losses on the liability represented by the Currency Securities are matched economically by corresponding losses or gains attributable to the Underlying Assets backing the Currency Securities (see detail on page 3 regarding the accounting mis-match). The Company's exposure to risks, including further details surrounding the value of Currency Securities and the Currency Transactions are disclosed in note 11 to the financial statements.

Movements in the value of the Underlying Assets, and thus the value of the Currency Securities, may vary widely which could have an impact on the demand for the Currency Securities issued by the Company. These movements are shown in notes 6 and 7.

In some cases, movements in exchange rates can be so significant that they lead to the level of a currency index for any class falling to zero. Since leveraged currency indices provide leveraged exposure to daily changes in foreign exchange rates calculated against a base value determined on the second previous business day, it is possible that in certain highly volatile markets a leveraged currency index may fall to zero where the foreign exchange rate moves by a large amount over the course of two trading days or even where a particular exchange rate moves by a very large amount over the course of one day. In these circumstances the Currency Securities for that class may become subject to compulsory redemption at a zero price. In such situations, the Currency Securities may be redeemed for no value and a security holder will receive no payment on that redemption.

Additional information on other financial and operational risks and uncertainties faced by the Company are disclosed in note 11 of these financial statements.

**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 have determined that the Company is not required to apply, and has elected not 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 2. 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 Securities, has not undertaken any business, save for issuing and redeeming Currency 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 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 and Z of Fund Services Business. ManJer outsources the administration services in respect of the Company to the Administrator. 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 currency index tracking securities.

The Board having reviewed the effectiveness of the internal control systems of the Manager and the Administrator, 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 meets 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.



**Steven Ross**

Director

Jersey

14 June 2021

### Statement of Directors' Responsibilities

---

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

Company law requires the directors to prepare financial statements for each financial 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 financial statements may differ from legislation in other jurisdictions.

With regard to Directive 2004/109/EC, amended by Directive 2013/50/EU (collectively the Transparency Directive), the Central Bank (Investment Market Conduct) Rules of the Central Bank of Ireland and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors confirm that to the best of their knowledge that:

- the financial statements for the year ended 31 December 2020 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 IFRS as issued by the IASB; and
- the Directors' Report gives a fair view of the development and performance of the Company's business, including financial position and the important events that have occurred during the year, and their impact on these financial statements, together with a description of the principal risks and uncertainties they face.

By order of the Board



**Steven Ross**  
Director  
Jersey  
14 June 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED**

### **Opinion**

We have audited the financial statements of WisdomTree Foreign Exchange Limited (the "company") for the year ended 31 December 2020 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 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS").

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its result for the year then ended;
- ▶ have been properly prepared in accordance with IFRS; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

#### **How we evaluated management's assessment**

##### *Risk assessment procedures*

- ▶ We have obtained an understanding of management's rationale for using the going concern basis of accounting. To challenge the completeness of this assessment, we have independently assessed whether factors exist that may indicate events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The events or conditions identified were consistent with those addressed in management's assessment and further are explained below. We have designed our audit procedures to evaluate the effect of these risks on the entity's ability to continue as a going concern.

##### *Management's method*

- ▶ In conjunction with our walkthrough of the company's financial statement close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management to challenge that all key factors were considered in their assessment;

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

- ▶ We obtained management's board approved going concern assessment covering the period of assessment from the date of signing to 15 June 2022. Subject to timing differences on creations/redemptions cash transactions within the company are designed to net; this includes the effect of the only cash obligations the management fee and interest. Therefore, management's assessment has focussed on a combination of;
  - ▶ Assessing the ongoing viability of the company through continued involvement of its Authorised Participants;
  - ▶ Determining that no compulsory redemption triggers are expected to be encountered during the period of assessment; and
  - ▶ Assessing the ongoing viability of the wider WisdomTree Jersey Issuer platform for which the company is an element, with a focus on the ability of the platform to support the Manager in meeting obligations as they fall due, through assessment of fixed and variable operating costs that could be supported under varying levels of total assets under management for the Issuer platform.
- ▶ Using our understanding of the business, we evaluated whether the considerations and method adopted by management in assessing going concern was appropriate and observed that the method was consistent with that used in the prior year
- ▶ We performed a walkthrough of the method and noted that the each of the factors had been considered and supported by management.
- ▶ We tested that the forecasts were mathematically accurate;
- ▶ We considered the past historical accuracy of management's assessments (prior to Coronavirus);
- ▶ We evaluated management's Coronavirus impact assessment on the forecasts by comparing to the actual impact experienced by the company in 2020;
- ▶ We inquired of management as to its knowledge of events or conditions beyond the period of management's assessment and reviewed industry publications to challenge and corroborate management's macro assumptions used in the assessment. In doing so, we also considered the consistency of information obtained from other areas of the audit such as the changes in assets under management in the period since the balance sheet date to the date of issuance of the financial statements.

### *Assumptions*

- ▶ We evaluated the relevance and reliability of the underlying data used to make the assessment by corroborating with the information contained in audited financial statements.
- ▶ We determined whether there was appropriate evidence for the ongoing involvement of the Authorised Participant's through enquiry with the Directors and management and confirming no correspondence indicating otherwise from the Authorised Participant.
- ▶ We determined that there was no indication of Company level redemption triggers being initiated, through reading the relevant prospectus sections, making enquiry of the Directors and management and reading minutes of meetings of the Board.
- ▶ For the platform cost assumptions underlying the wider platform viability considerations, we compared these to those observed in the prior year and obtained information from the Manager in respect of the existing platform cost base;

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

### *Stress testing and Management's plans for future actions*

- ▶ We performed reverse stress testing on the forecasts to understand how severe the downside scenarios would have to be, and in particular the reduction in platform assets under management, to result in the platform generating insufficient management fees to cover operating costs;

### *Disclosures*

- ▶ We considered whether management's disclosures, in the Annual Report and financial statements, sufficiently and appropriately discloses information required in respect of the going concern assumption applied through consideration of relevant disclosure standards.

### **Our key observations**

We have observed:

- ▶ No communication from the Company's Authorised Participants indicating an intention to withdraw support or initiate any action that would trigger the termination of the company;
- ▶ No indication that compulsory redemption triggers are expected to be encountered during the period of assessment to 15 June 2022; and
- ▶ Significant headroom observed in management fee income, at current Assets Under Management ("AUM") levels, in excess of fixed costs supporting management's assumption that the Issuer Platform is able to absorb heightened levels of volatility in Assets Under Management in the current economic climate.

### **Conclusion**

- ▶ Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern over the period to 15 June 2022 being 12 months from when the financial statements are authorised for issue.
- ▶ Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Overview of our audit approach**

Key audit matters	<ul style="list-style-type: none"> <li>▶ Valuation of Financial Assets at fair value through profit and loss – Currency Transactions</li> <li>▶ Valuation of Financial Liabilities at fair value through profit and loss – Currency Securities</li> <li>▶ Restatement as a result of a reassessment of the accounts held with the Custodian and the impact of the reassessment on presented Cash Flows</li> </ul>
Materiality	▶ Overall materiality of US\$4.54m which represents 1% of total assets.

**INDEPENDENT AUDITOR’S REPORT  
TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

**An overview of the scope of our audit**

**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

**Changes from the prior year**

Other than our response to the identified prior year restatement, which is detailed within Key audit matters, there were no changes in our audit strategy compared to the prior year.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Board</b>
<p><b>Valuation of Financial Assets at fair value through profit and loss – Currency Transactions</b> <b>USD 454,105,332</b> <b>(2019: USD 430,500,646)</b></p> <p><i>Refer to the Accounting policies (page 27); and Note 6 of the Financial Statements (pages 33-34)</i></p> <p>Risk that investment values are misstated or that valuations are incorrectly calculated.</p> <p>The Currency Transactions held comprise a range of currency derivatives that are used by the Company to provide holders of issued securities with exposure that is designed to track currency movements.</p> <p>The Currency Transactions are carried at fair value as a Financial Asset.</p>	<p>Our response to the risk comprised:</p> <p>An assessment of the company’s systems and controls implemented in respect of Currency Transaction valuation.</p> <p>Obtaining independent confirmation, from the contract counterparty, of the contractual value of contracts as at the reporting date.</p> <p>Agreement of the valuation methodology applied to the definition set out in the prospectus and validation of key inputs used to derive the value of the Currency Transactions. This included agreement of the price of referenced currency indices to external pricing sources as at 31 December 2020.</p>	<p>There were no matters identified during our audit work on valuation of Currency Transactions that we wanted to bring to the attention of the Board of Directors of the company.</p>

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

Risk	Our response to the risk	Key observations communicated to the Board
<p>The risk comprises the risk of errors in both the valuation methodology applied (including the risk that the valuation methodology has not been determined in accordance with the terms of the applicable prospectus) and in the source and timing of valuation inputs utilised.</p> <p>The balance of Currency Transactions represents in excess of 99% of the company's total assets as at 31 December 2020 (2019: 99%) and therefore any error in valuation approach could be significant.</p> <p>The risk has remained consistent with that observed in the prior year.</p>	<p>Recalculation of the value of a sample of Currency Transactions held at 31 December 2020, representing 94% of the total value of Currency Transactions held.</p>	
<p><b>Valuation of Financial Liabilities at fair value through profit or loss - Currency Securities</b></p> <p><b>USD 456,658,470</b> <b>(2019: USD 428,660,839)</b></p> <p><i>Refer to the Accounting policies (page 28); and Note 7 of the Financial Statements (pages 34-36)</i></p> <p>Risk that values of securities in issue are misstated or that valuations are incorrectly captured.</p> <p>The Currency Securities in issue comprise a range of financial instruments that provide holders of issued securities with exposure to movements in prices of foreign currency.</p> <p>The Currency Securities are carried at fair value as a Financial Liability.</p>	<p>We walked through the Company's systems and controls implemented in respect of the valuation Currency Securities. In executing our strategy, we adopted a fully substantive approach.</p> <p>Our response to the risk comprised:</p> <p>An assessment of the company's systems and controls implemented in respect of Currency Securities valuation.</p> <p>Assessing the appropriateness of the valuation methodology applied, comprising the use of traded security prices to value the Currency Securities, against relevant IFRS requirements.</p> <p>Independently obtaining security prices using external pricing sources at the balance sheet date.</p>	<p>There were no matters identified during our audit work on valuation of Commodity Securities that we wanted to bring to the attention of the Board of Directors of the company.</p> <p>Based on our testing we are satisfied that the valuation of Commodity Securities is not materially misstated</p>

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

Risk	Our response to the risk	Key observations communicated to the Board
<p>The risk comprises the risk of errors in both the valuation methodology applied and, in the source, and timing of valuation inputs utilised.</p> <p>The balance of Currency Securities represents in excess of 99% of the company's total liabilities as at 31 December 2020 (2019: 99%) and therefore any error in valuation approach could be significant.</p> <p>The risk has remained consistent with that observed in the prior year.</p>	<p>Recalculating the value of Currency Securities held at 31 December 2020, by multiplying the security price by the confirmed security balance in issue. This represented 100% of the total value of Currency Securities in issue.</p>	
<p><b>Restatement as a result of a reassessment of the accounts held with the Custodian and the impact of the reassessment on presented Cash Flows</b></p> <p>Refer to the Accounting policies (pages 30-32) "Restatement as a result of a reassessment of the accounts held with the Custodian and the impact of the reassessment on presented Cash Flows"</p> <p>For the purpose of the financial statements, the cash held was previously determined to be a part of the counterparty balance and therefore not presented separately as cash on the Statement of Financial Position.</p> <p>Following a reassessment of the Cash Accounts, as well as the cash flows through those Cash Accounts and the Custody Accounts, the Company has determined that the balances on the Cash Accounts are required to be presented separately as cash on the Statement of Financial Position and not as a receivable, as well as ensuring that the receipts and payments between those Cash Accounts and the Custody Accounts are</p>	<p>As a result of management's reassessment and determination that cash accounts are in fact held by the company and therefore determining that the cash flows historically reported were misstated and required restatement we considered:</p> <ol style="list-style-type: none"> <li>1. Whether the bank accounts were held in the name of the company</li> <li>2. The nature of transactions within the bank accounts</li> <li>3. The calculation and presentation of the restated amounts reported</li> </ol> <p>We:</p> <ul style="list-style-type: none"> <li>▶ Attended a video discussion between management and the collateral agent to validate the understanding of the accounts being in the name of the company and validate management's revised understanding of cash movements</li> <li>▶ Obtained bank confirmations directly from the collateral agent</li> </ul>	<p>As a result of the work conducted we communicated our concurrence with management's conclusions that this constituted an error in prior periods and was sufficiently material to require a restatement of comparative information in accordance with the presentation and disclosure requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IAS 7 Statement of Cash Flows.</p>

**INDEPENDENT AUDITOR’S REPORT  
TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

Risk	Our response to the risk	Key observations communicated to the Board
<p>reflected on the Statement of Cash Flows accordingly to reflect the operation of the daily processing taking place.</p>	<ul style="list-style-type: none"> <li>▶ Obtained bank statements from management</li> <li>▶ Audited management’s 2020 and 2019 analysis of the movements within the bank accounts, by reference to bank statements</li> <li>▶ Audited management’s bank reconciliations as at 2020, 2019 and 2018, by reference to bank statements.</li> <li>▶ Agreed the restated amounts in the Statement of Financial Position and Statement of Cash Flows to supporting evidence comprising of bank statements and confirmations</li> <li>▶ Considered the disclosures made by management related to the restatement in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IAS 7 Statement of Cash Flows.</li> </ul>	

**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the company to be US\$4.54 million (2019: US\$4.31million), which is 1% (2019: 1%) of Total Assets. We believe that Total Assets provides us with an appropriate basis for audit materiality as Total Assets value reflects the relevant exposure of holders of issued securities to the underlying asset base.

In particular we have considered both the nature of the exposure to asset performance being obtained by security holders and the expectations of the users of the financial statements by observing the basis applied across existing WisdomTree exchange traded issuer products.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

The entity is structured such that the security holders' interests are reflected as a liability, but provide exposure to net assets invested, with the 1% being considered appropriate in the context of such asset exposure.

The basis is also consistent with other audited WisdomTree exchange traded issuer platforms in Europe, where 1% of total assets has historically been applied as the basis for materiality, so we continue to reflect this established level of user expectation for WisdomTree issuer vehicles.

There has been no change in the basis of materiality used compared to the prior year.

### **Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely US\$2.27m (2019: US\$2.155m). We have set performance materiality at this percentage in response to audit differences identified in our audit of the company and related entities the prior year. We had set performance materiality at 50% of our planning materiality in the prior year to reflect the fact that it was our initial period of involvement.

### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Board that we would report to them all uncorrected audit differences in excess of US\$227k (2019: US\$215.5k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The basis of determining the amount remains consistent with that applied in the prior year at 5% of planning materiality.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the annual report set out on pages 1 to 8, including the Directors' Report set out on pages 2 to 7 and the Statement of Directors Responsibilities set out on page 8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework, comprising IFRS and Companies (Jersey) Law 1991. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the presentation and disclosure of the financial statements being the applicable Listing Rules of the UK Listing Authority;

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE FOREIGN EXCHANGE LIMITED (continued)**

- ▶ We understood how WisdomTree Foreign Exchange Limited is complying with those frameworks by making enquiries of the directors and key management of the administrative service provider. We corroborated our enquiries through our review of minutes of Board meetings, papers provided to the board and correspondence received from regulatory bodies and noted no contradictory evidence.
- ▶ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the investment objectives of the Company and discussing with management to understand where reporting was considered susceptible to fraud. Where this risk was considered to be higher, we performed audit procedures in response to the identified fraud risk. These procedures included testing of transactions to supporting documentation, testing of specific accounting journal entries and focussed testing, including that referred to in the key audit matters section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, a review of any associated reporting submitted to the board on compliance with laws and regulations and enquiries of members of management of the appointed administrative service provider.
- ▶ As the Company operates in the asset management industry the Audit Partner reviewed the experience of the engagement team and concluded that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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.



Christopher David Gordon Barry, FCA  
for and on behalf of Ernst & Young LLP  
Jersey, Channel Islands  
Date: 14 June 2021

### Notes:

1. The maintenance and integrity of the WisdomTree Foreign Exchange Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

	Notes	Year ended 31 December	
		2020 USD	2019 USD
Income	3	2,526,887	2,758,143
Expenses	3	(2,526,887)	(2,758,143)
<b>Result Before Fair Value Movements</b>	3	<b>-</b>	<b>-</b>
Change in Contractual and Fair Value of Currency Transactions	6	48,140,159	(15,895,346)
Change in Fair Value of Currency Securities	7	(52,533,104)	16,890,715
<b>(Loss) / Profit for the Year<sup>1,2</sup></b>	7	<b>(4,392,945)</b>	<b>995,369</b>

The directors consider the Company's activities as continuing.

<sup>1</sup> A non-statutory and non-GAAP Statement of Profit or Loss and Other Comprehensive Income reflecting adjustments representing the movement in the difference between the value of the Currency Transactions and the price of Currency Securities is set out in note 14.

<sup>2</sup> There are no items of Other Comprehensive Income, therefore the (Loss) / Profit for the Year also represented the Total Comprehensive Income for the Year.

The notes on pages 24 to 45 form part of these financial statements

	Notes	As at 31 December		As at 1 January
		2020 USD	(Restated) 2019 USD	(Restated) 2019 USD
<b>Assets</b>				
Cash and Cash Equivalents		271,274	58,162	317,659
Currency Transactions	6	454,105,332	430,500,646	454,982,175
Amounts Receivable on Currency Transactions Awaiting Settlement	6	3,196,435	174,987	-
Amounts Receivable on Currency Securities Awaiting Settlement	7	377,230	161,827	-
Trade and Other Receivables	5	1,784	1,784	1,784
<b>Total Assets</b>		<b>457,952,055</b>	<b>430,897,406</b>	<b>455,301,618</b>
<b>Liabilities</b>				
Currency Securities	7	456,658,470	428,660,839	454,137,737
Amounts Payable on Currency Securities Awaiting Settlement	7	3,196,435	174,987	-
Amounts Payable on Currency Transactions Awaiting Settlement	6	377,230	161,827	-
Trade and Other Payables	8	271,274	58,162	317,659
<b>Total Liabilities</b>		<b>460,503,409</b>	<b>429,055,815</b>	<b>454,455,396</b>

The notes on pages 24 to 45 form part of these financial statements

	Notes	As at 31 December		As at 1 January
		2020 USD	(Restated) 2019 USD	(Restated) 2019 USD
<b>Equity</b>				
Stated Capital	9	3	3	3
Retained Earnings		1,781	1,781	1,781
Revaluation Reserve		(2,553,138)	1,839,807	844,438
<b>Total Equity</b>		<b>(2,551,354)</b>	<b>1,841,591</b>	<b>846,222</b>
<b>Total Equity and Liabilities</b>		<b>457,952,055</b>	<b>430,897,406</b>	<b>455,301,618</b>

The assets and liabilities in the above Statement of Financial Position are presented in order of liquidity from most to least liquid.

The financial statements on pages 19 to 45 were approved and authorised for issue by the board of directors and signed on its behalf on 14 June 2021



**Steven Ross**  
Director

The notes on pages 24 to 45 form part of these financial statements

	Year ended 31 December	
	2020	2019
	USD	(Restated) USD
Fees and Expenses Paid	(2,313,776)	(3,017,640)
Cash Generated from Operating Activities	(2,313,776)	(3,017,640)
<i>Cash Flows from Investing Activities</i>		
Net Daily Payment Amounts	50,362,116	(17,487,838)
Net Movement on Currency Transactions	(28,632,687)	26,060,861
Net Cash Flows from Investing Activities	21,729,429	8,573,023
<i>Cash Flows from Financing Activities</i>		
Issue of Currency Securities	387,938,886	503,459,140
Redemption of Currency Securities	(407,141,427)	(509,274,020)
Net Cash Flows from Financing Activities	(19,202,541)	(5,814,880)
<b>Net Movement in Cash and Cash Equivalents</b>	<b>213,112</b>	<b>(259,497)</b>
Cash and Cash Equivalents at the Beginning of the Year	58,162	317,659
Net Movement in Cash and Cash Equivalents	213,112	(259,497)
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>271,274</b>	<b>58,162</b>

Cash received by the Company linked to Currency Transactions entered into with a Currency Transaction Counterparty is used to enter into a USD, GBP or EUR denominated daily repurchase transaction with the Currency Transaction Counterparty in exchange for eligible collateral on the terms described in the Company's Prospectus (collectively the "Underlying Assets"). On each day the Currency Transaction Counterparty is required to pay back the USD, GBP and EUR amounts in exchange for the eligible collateral held the previous day, which allows the Company to enter into new daily repurchase transactions in exchange for eligible collateral required on that day, however in accordance the terms of a supplemental agreement to the Collateral Administration Master Agreement those new daily repurchase transactions can be paired with maturing deals on the previous daily repurchase transactions meaning that the net amounts (in each of USD, GBP and EUR) are transferred each day. These cash flows are reported on a net basis in accordance with IAS 7.

The Company has entered into a service agreement with WisdomTree Management 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 Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the aggregate of the management fee and the creation and redemption fees (the "ManJer Fee"). As a result, ManJer receives creation and redemption fees directly from Authorised Participants. Accordingly, there are no related cash flows through the Company.

	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve USD	Total Equity USD
<b>Opening Balance at 1 January 2019</b>		3	1,781	844,438	846,222
Result and Total Comprehensive Income for the Year		-	995,369	-	995,369
Transfer to Revaluation Reserve	14	-	(995,369)	995,369	-
<b>Balance at 31 December 2019</b>		<b>3</b>	<b>1,781</b>	<b>1,839,807</b>	<b>1,841,591</b>
Opening Balance at 1 January 2020		3	1,781	1,839,807	1,841,591
Result and Total Comprehensive Expense for the Year		-	(4,392,945)	-	(4,392,945)
Transfer to Revaluation Reserve	14	-	4,392,945	(4,392,945)	-
<b>Balance at 31 December 2020<sup>3</sup></b>		<b>3</b>	<b>1,781</b>	<b>(2,553,138)</b>	<b>(2,551,354)</b>

<sup>3</sup> A non-statutory and non-GAAP Statement of Changes in Equity reflecting adjustments representing the difference between the value of Currency Transactions and the price of Currency Securities is set out in note 14.

The notes on pages 24 to 45 form part of these financial statements

**1. General Information**

WisdomTree Foreign Exchange Limited (the “Company”) is a company incorporated and domiciled in Jersey. The address of the registered office is Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW.

The purpose of the Company is to provide a vehicle that facilitates the issuance and subsequent listing and trading of securities that track published currency indices (“Currency Securities”). Currency Securities are backed by unfunded currency transactions (“Currency Transactions”) with terms corresponding to the terms of Currency Securities. Each time Currency Securities are issued or redeemed, corresponding Currency Transactions between the Company and the Currency Transaction Counterparty are created or closed by the Company. Cash received by the Company linked to Currency Transactions entered into with a Currency Transaction Counterparty is used to enter into a USD, GBP or EUR denominated daily repurchase transaction with the Currency Transaction Counterparty in exchange for eligible collateral on the terms described in the Company’s Prospectus (collectively the “Underlying Assets”). On each day the Currency Transaction Counterparty is required to pay back the USD, GBP and EUR amounts in exchange for the eligible collateral held the previous day, which allows the Company to enter into new daily repurchase transactions in exchange for eligible collateral required on that day, however in accordance the terms of a supplemental agreement to the Collateral Administration Master Agreement those new daily repurchase transactions can be paired with maturing deals on the previous daily repurchase transactions meaning that the net amounts (in each of USD, GBP and EUR) are transferred each day. This daily process therefore ensures that eligible collateral (at market fair value) received from the Currency Transaction Counterparty represents at least 100% of the exposure of the daily repurchase transaction receivable on a daily basis. A daily payment amount will also be calculated in respect of each Currency Transaction on each day to reflect the movement in the relevant currency index and this amount will be payable by either the Company or the Currency Transaction Counterparty.

Each class of Currency Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Underlying Assets held to support the Currency Securities and not to the Underlying Assets of any other class of Currency Security or to the Company. The Company does not make gains from trading in the Underlying Assets. As a result, (and with the exception of the impact of management fees), from a commercial perspective gains and losses in respect of Currency Transactions will always be offset by a corresponding loss or gain on the Currency Securities and therefore, commercially the Company does not retain any net gains or losses or net risk exposures. However, the difference in valuation between Currency Transactions and Currency Securities creates a mis-match between accounting values reported within these financial statements. This difference in valuation would be reversed on a subsequent redemption of the Currency Securities and cancellation of the corresponding Currency Transactions. Further details are disclosed within the Accounting Policies and in note 14 with additional information regarding the risks of the Company disclosed in note 11. Furthermore, the Company presents an adjusted Statement of Profit or Loss and Other Comprehensive Income and an adjusted Statement of Changes in Equity in note 14 of the financial statements to reflect the economic results of the Company through the reversal of the difference in valuation between Currency Transactions and Currency Securities given the gain or loss would be reversed on a subsequent redemption of the Currency Securities and cancellation of the corresponding Currency Transactions, and therefore will not be realised.

Exchange-traded products are not typically actively managed, are significantly lower in cost when compared to actively managed mutual funds and are easily accessible to investors. No trading or management of futures contracts is required of the Company because the Company has entered into arrangements to acquire an equivalent asset exposure from a third party which fully hedges the exposure of the Company.

The Company is entitled to:

- (1) a management fee which is calculated by applying a fixed percentage to the Contractual Value of Securities in issue on a daily basis (the “Management Fee”); and
- (2) creation and redemption fees on the issue and redemption of the Securities.

No creation or redemption fees are payable to the Company when investors trade in the Securities on a listed market such as the London Stock Exchange. Creation and redemption fees may also be waived with certain approved persons where applicable.

**1. General Information (continued)**

The Company has entered into a service agreement with WisdomTree Management 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 Securities. In return for these services, the Company pays ManJer an amount equal to the management fee and the creation and redemption fees earned (the “ManJer Fee”). As a result, the Company recognises a result before fair value movements of nil for each period.

**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.

**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 key accounting judgement required to prepare these financial statements is in respect of the presentation of non-statutory and non-GAAP adjustments to the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity, as disclosed in note 14.

The directors do not consider that any significant estimates have been applied in the preparation of these financial statements.

**Going Concern**

The nature of the Company’s business dictates that the outstanding Currency Securities may be redeemed at any time by Authorised Participants and in certain circumstances by individual holders and also, in certain circumstances, may be compulsorily redeemed by the Company. As the redemption of Currency Securities will always coincide with the redemption of an equal amount (in value) of Currency Transactions, and furthermore the Company will hold the Currency Transactions to support the Currency Securities issued and will only close out Currency Transactions on the redemption of Currency Securities, liquidity risk is mitigated such that there is no residual liquidity risk. All other expenses of the Company are met by ManJer. The directors are closely monitoring the advice and developments relating to the spread of COVID-19, particularly with its impact on ManJer, its assets under management, and therefore its related revenue streams, in respect of fulfilling the obligations under the services agreement in place. The directors consider the operations of the Company to be ongoing, with a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of these financial statements, and accordingly these financial statements have been prepared on the going concern basis.

## 2. Accounting Policies (continued)

### 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 in issue and effective for the year, including:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The changes to IAS 1 & 8 are changes regarding the definition of material and therefore are applicable to the Company, however these are not considered to have resulted in a significant effect on these financial statements.

#### (b) Standards, amendments and interpretations not applicable to the Company:

The following standards that have been revised, issued and became effective but are not considered applicable to the Company:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IFRS 9 Financial Instruments
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement

The directors consider that the adoption of the above standards, amendments and interpretations did not have a material impact on the financial statements of the Company on the basis that the changes to IFRS 7, IFRS 9 and IAS 39 are pre-replacement issues in the context of the Interbank Offered Rate (or IBOR) reform in respect of hedge accounting.

#### (c) 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:

- Amendments to IFRS 16 Leases (effective for annual periods beginning on or after 1 June 2020)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the accounting issues that arise when financial instruments are modified from referencing an IBOR
- Annual Improvements to IFRS (impacting IFRS 1, IFRS 9 and IAS 41)

The directors are working through an assessment of the potential impact of the IBOR reforms (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) on the Currency Transactions and Currency Securities, including within the underlying indices. As described in note 11, the pricing of the Currency Transactions or the Currency Securities takes into account the incremental capital enhancement component of the Currency Security, which includes the impact of interest rates. This incremental capital enhancement component of the Currency Transactions and Currency Securities is attributable to the security holder and whilst this may impact the future values of the Currency Transactions and Currency Securities, there will be no residual exposure to the Company.

## 2. Accounting Policies (continued)

### Accounting Standards (continued)

#### (c) *New and revised IFRSs in issue but not yet effective (continued):*

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 Transactions

The Currency Securities are backed Currency Transactions, which are unfunded currency transactions with terms corresponding to the terms of Currency Securities. The Currency Transactions are made up of two components on each day:

- **Daily Repurchase Transactions:** Cash received by the Company (linked to Currency Transactions entered into with a Currency Transaction Counterparty) which is used to enter into a USD, GBP or EUR denominated daily repurchase transaction with the Currency Transaction Counterparty in exchange for eligible collateral on the terms described in the Company's Prospectus. Each day the Currency Transaction Counterparty pays back the USD, GBP and EUR amounts in exchange for the eligible collateral held the previous day, allowing the Company to enter into new daily repurchase transactions in exchange for eligible collateral required on that day, however in accordance the terms of a supplemental agreement to the Collateral Administration Master Agreement those new daily repurchase transactions can be paired with maturing deals on the previous daily repurchase transactions meaning that the net amounts (in each of USD, GBP and EUR) are transferred each day. This daily process ensures that eligible collateral (at market fair value) received from the Currency Transaction Counterparty represents at least 100% of the exposure of the daily repurchase transaction receivable on a daily basis.
- **Daily Payment Amount:** calculated in respect of each Currency Transaction on each day to reflect the movement in the relevant currency index and this amount will be payable by either the Company or the Currency Transaction Counterparty.

#### i) *Issue and Redemption*

Each time a Currency Security is issued or redeemed by the Company, a corresponding number and value of Currency Transactions are created or closed with Morgan Stanley & Co. International plc ("Morgan Stanley"), which represent financial assets of the Company. Upon initial recognition, the value is recorded using the price calculated based on the formula set out in the Prospectus.

Financial assets are recognised and de-recognised on the transaction (trade) date.

#### ii) *Classification*

Each Currency Transaction comprises a financial instrument whose cancellation price is linked to the performance of the relevant currency index. The Currency Transactions are classified as financial assets, and are recognised as follows:

- the amount receivable from the Currency Transaction Counterparty in respect of the Daily Repurchase Transactions is recognised at amortised cost; and
- the Daily Payment Amount is recognised at fair value through profit or loss under IFRS 9 due to this being a derivative financial instrument.

#### iii) *Pricing*

The fair value of the Daily Payment Amount component of the Currency Transactions is calculated based on the movement in the performance of the relevant MSFXsm Currency Indices. The MSFXsm Currency Indices are total return indices and are calculated and published by Morgan Stanley and are calculated in accordance with the MSFXsm Indices Manual.

The combination of the value of the Daily Repurchase Transactions and the fair value of the Daily Payment Amount represents the fair value of the Currency Transactions. This valuation methodology is consistent with the formula set out in the Prospectus whereby a single price is established for each Currency Transaction as at the end of each Pricing Day (the Contractual Value).

**2. Accounting Policies (continued)****Currency Securities***i) Issue and Redemption*

Each time a Currency Security is issued or redeemed by the Company a corresponding number and value of Currency Transactions are created or closed with Morgan Stanley. The Currency Securities give rise to the financial liabilities. Upon initial recognition, the fair value is recorded using the price calculated based on the formula set out in the Prospectus, referred to as the “Contractual Value” (see below).

Financial liabilities are recognised and de-recognised on the transaction (trade) date.

*ii) Classification at fair value through Profit or Loss*

Each Currency Security comprises a financial instrument whose redemption price is linked to the performance of the relevant currency index adjusted by the applicable fees and expenses.

The Currency Securities are classified as financial liabilities measured at fair value through profit or loss under IFRS 9 to significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

*iii) Pricing*

IFRS 13 requires the Company to identify the principal market and to utilise the available price within that principal market. The directors consider the stock exchanges where the Currency Securities are listed to be the principal market and as a result the fair value of the Currency Securities is the on-exchange price as quoted on the stock exchange demonstrating active trading with the highest trading volume on each day that the price is obtained. The Currency Securities are priced using the closing mid-market price on the Statement of Financial Position date.

Consequently, a difference arises between the value of Currency Transactions (held to support the Currency Securities) and Currency Securities (at market value) presented in the Statement of Financial Position. This difference is reversed on a subsequent redemption of the Currency Securities and closure of the corresponding Currency Transactions.

**Currency Transactions and Currency Securities Awaiting Settlement**

The issue and redemption of Currency Securities, and the creation or closure of Currency Transactions, is accounted for on the transaction date. The transaction will not settle until two days after the transaction date. Where transactions are awaiting settlement at the year end, the value of the Currency Transactions and the Currency Securities due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position. The fair value of these receivables and payables is considered equivalent to their carrying value.

**Cash and Cash Equivalents**

Cash and Cash Equivalents include deposits held at call with the Custodian.

**Other Financial Assets and Liabilities**

Other financial assets and liabilities are non-derivative financial assets and liabilities including trade and other receivables and trade and other payables with a fixed payment amount and are not quoted in an active market. After initial measurement the other financial assets and liabilities are subsequently measured at amortised cost using the effective interest method less any allowance for expected credit losses. 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Impairment losses, including reversals of impairment losses and impairment gains, are recorded through profit or loss.

## 2. Accounting Policies (continued)

### Reserves

A revaluation reserve and a retained earnings reserve are maintained within equity. All profit or loss is taken to the retained earnings reserve at the end of the accounting period to which it relates and the gain or loss relating to the mis-match of accounting values is transferred to the non-distributable revaluation reserve as these balances relate to unrealised gains and losses on Currency Transactions (held to support the Currency Securities) and Currency Securities, which are reversed on a subsequent redemption of the Currency Securities and the related cancellation of Currency Transactions and will therefore not be realised.

### Income

The Company derives its income over time (in respect of management fees), and at a point in time (in respect of creation and redemption fees) as follows:

- i) *Management Fees*  
Management Fees are calculated by applying a fixed percentage to the Contractual Value of Currency Securities in issue on a daily basis in accordance with the terms of the securities issued. The Management Fees are accrued and recognised on a daily basis and accrued management fees are invoiced and settled on a monthly basis.
- ii) *Creation and Redemption Fees*  
Fees for the issue and redemption of Currency Securities are recognised at the fair value of the consideration expected to be received, on the date on which the transaction becomes legally binding. Accrued creation and redemption fees are invoiced and settled on a quarterly basis.

### Foreign Currency

The financial statements of the Company are presented in the currency in which a majority of the Currency Transactions entered into and the Currency Securities issued by the Company are denominated (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in United States Dollars, which is the functional currency of the Company, and the presentational currency of the financial statements.

Transactions in foreign currencies are initially recorded at the spot rate at the date of the transaction. 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 each 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, Currency Securities, and geographical segment which is Europe. In addition, the Company has no single major customer from which greater than 10% of income is generated.

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

## 2. Accounting Policies (continued)

### Restatement as a result of a reassessment of the accounts held with the Custodian and Collateral Administrator and the impact of the reassessment on presented Cash Flows

Under the terms of the Collateral Administration Master Agreement, the Company has established and maintains Custody Accounts with The Bank of New York Mellon (as both Custodian and Collateral Administrator) in respect of its dealings with the Currency Transaction Counterparty. The Company has also established separate Cash Accounts (GBP, USD and EUR) with The Bank of New York Mellon as well as to facilitate the transfer of the Daily Payment Amounts required for the subsequent days daily repurchase transaction.

For the purpose of the financial statements, the cash held in the Cash Accounts was previously determined to be a part of the counterparty balance and therefore not presented separately as cash on the Statement of Financial Position. The amount of cash held at the close of each day is equal to the amounts accrued but not yet transferred in respect to management fees, net of any interest applied to the Cash Accounts by The Bank of New York Mellon. This balance was previously recognised as a receivable on the Statement of Financial Position.

Following a reassessment of the Cash Accounts, as well as the cash flows through those Cash Accounts and the Custody Accounts, the Company has determined that the balances on the Cash Accounts are required to be presented separately as cash on the Statement of Financial Position and not as a receivable, as well as ensuring that the receipts and payments between those Cash Accounts and the Custody Accounts are reflected on the Statement of Cash Flows accordingly to reflect the operation of the daily processing taking place. The operation of the daily processing taking place has not changed, and is not impacted by this reassessment.

Therefore, as a result of the error, the directors have restated the comparative information as of 1 January 2019, the start of the earliest period for which information is presented, and for the year ended 31 December 2019. The changes in presenting the financial position and the cash flows has been accounted for in accordance with International Accounting Standard 8 — Accounting Policies, Changes in Accounting Estimates and Errors. For the purpose of re-presentation and restatement of the financial statements a summary of the changes are presented in the tables below, and explained as follows:

- (A) The cash held within the Cash Accounts has been recognised, and the previously recognised receivable has been derecognised on the Statement of Financial Position. The reduction in the ManJer Fee expense as a result of Note (B) has also reduced the amounts payable to ManJer;
- (B) Interest and bank charges incurred on the Cash Accounts have been recognised, along with a related reduction in the ManJer Fee expense in accordance with the services agreement with ManJer, resulting in a net impact on the Statement of Profit or Loss of nil.
- (C) Cash flows in respect of the payment of the ManJer Fee expense and the Interest expense have been recognised as flows from the Cash Accounts within the Statement of Cash Flows;
- (D) Net cash flows related to the receipt of the Daily Payment Amounts transferred between the Company and the Currency Transaction Counterparty have been recognised within the Statement of Cash Flows;
- (E) The net cash flows related to the receipt and payment of the net movements on the daily repurchase transactions (arising from creation and redemption activity, the impact of the Management Fees as well as the reinvestment of the daily payment amount) have been presented within the Statement of Cash Flows to reflect the actual daily processing and in accordance with the provisions of IAS 7 as explained on the Statement of Cash Flows.  
As a result the gross cash flows on creation and redemption activity previously recognised have been removed;
- (F) The cash flows related to the receipt and payment of amounts on the creation and redemption of Securities have been corrected in respect of the related cash flows at period end for unsettled creation and redemption transactions; and
- (G) The combination of the adjustments described in Notes (B) to (F) have resulted in a net cash flow for the year.

There were no changes to the balances recognised in respect of the Currency Transactions or the Currency Securities on the Statement of Financial Position.

2. Accounting Policies (continued)

Restatement as a result of a reassessment of the accounts held with the Custodian and Collateral Administrator and the impact of the reassessment on presented Cash Flows (continued)

(a) Impact of the restatement on the Statement of Financial Position as at 31 December 2019 and 1 January 2019:

	Note	As at 31 December 2019			As at 1 January 2019		
		As Reported USD	Adjustments USD	Restated USD	As Reported USD	Adjustments USD	Restated USD
<b>Assets</b>							
Cash and Cash Equivalents	A	-	58,162	58,162	-	317,659	317,659
Currency Transactions		430,500,646	-	430,500,646	454,982,175	-	454,982,175
Amounts Receivable on Currency Transactions Awaiting Settlement		174,987	-	174,987	-	-	-
Amounts Receivable on Currency Securities Awaiting Settlement		161,827	-	161,827	-	-	-
Trade and Other Receivables	A	239,486	(237,702)	1,784	477,967	(476,183)	1,784
<b>Total Assets</b>		<b>431,076,946</b>	<b>(179,540)</b>	<b>430,897,406</b>	<b>455,460,142</b>	<b>(158,524)</b>	<b>455,301,618</b>
<b>Liabilities</b>							
Currency Securities		428,660,839	-	428,660,839	454,137,737	-	454,137,737
Amounts Payable on Currency Securities Awaiting Settlement		174,987	-	174,987	-	-	-
Amounts Payable on Currency Transactions Awaiting Settlement		161,827	-	161,827	-	-	-
Trade and Other Payables	A	237,702	(179,540)	58,162	476,183	(158,524)	317,659
<b>Total Liabilities</b>		<b>429,235,355</b>	<b>(179,540)</b>	<b>429,055,815</b>	<b>454,613,920</b>	<b>(158,524)</b>	<b>454,455,396</b>
<b>Total Equity</b>		<b>1,841,591</b>	<b>-</b>	<b>1,841,591</b>	<b>846,222</b>	<b>-</b>	<b>846,222</b>

2. Accounting Policies (continued)

**Restatement as a result of a reassessment of the accounts held with the Custodian and Collateral Administrator and the impact of the reassessment on presented Cash Flows (continued)**

(b) *Impact of the restatement on the breakdown of expenses (note 3) for the Year Ended 31 December 2019*

	Note	As Reported USD	Adjustments USD	Restated USD
ManJer Fees	B	(2,758,143)	21,016	(2,737,127)
Bank Charges and Interest	B	-	(21,016)	(21,016)
<b>Total Operating Expenses</b>		<b>(2,758,143)</b>	<b>-</b>	<b>(2,758,143)</b>

(c) *Impact of the restatement on the Statement of Cash Flows for the Year Ended December 2019:*

	Notes	As Reported USD	Adjustments	Restated USD
Fees and Expenses Paid	C	-	(3,017,640)	(3,017,640)
Cash Generated from Operating Activities		-	(3,017,640)	(3,017,640)
<i>Cash Flows from Investing Activities</i>				
Net Daily Payment Amounts	D	-	(15,895,346)	(15,895,346)
Acquisition of Currency Transactions	E	(503,620,967)	503,620,967	-
Disposal of Currency Transactions	E	509,449,007	(509,449,007)	-
Net Movement on Currency Transactions	E	-	24,468,369	24,468,369
Net Cash Flows from Investing Activities		5,828,040	2,744,983	8,573,023
<i>Cash Flows from Financing Activities</i>				
Issue of Currency Securities	F	503,620,967	(161,827)	503,459,140
Redemption of Currency Securities	F	(509,449,007)	174,987	(509,274,020)
Net Cash Flows from Financing Activities		(5,828,040)	13,160	(5,814,880)
<b>Net Movement in Cash and Cash Equivalents</b>		<b>-</b>	<b>(259,497)</b>	<b>(259,497)</b>
Cash and Cash Equivalents at the Beginning of the Year	A	-	317,659	317,659
Net Movement in Cash and Cash Equivalents	G	-	(259,497)	(259,497)
<b>Cash and Cash Equivalents at the End of the Year</b>	A	<b>-</b>	<b>58,162</b>	<b>58,162</b>

### 3. Result Before Fair Value Movements

Result Before Fair Value Movements for the year comprised:

	Year ended 31 December	
	2020	2019 (Restated)
	USD	USD
Management Fees	2,526,887	2,758,143
Creation and Redemption Fees	-	-
<b>Total Income</b>	<b>2,526,887</b>	<b>2,758,143</b>
ManJer Fees	(2,506,438)	(2,737,127)
Bank Charges and Interest	(20,449)	(21,016)
<b>Total Operating Expenses</b>	<b>(2,526,887)</b>	<b>(2,758,143)</b>
<b>Result Before Fair Value Movements</b>	<b>-</b>	<b>-</b>

Audit Fees for the year of GBP 26,230 will be met by ManJer (2019: GBP 25,130).

### 4. Taxation

The Company is subject to Jersey Income Tax. During the year the Jersey Income Tax rate applicable to the Company is zero percent (2019: zero percent).

### 5. Trade and Other Receivables

	As at 31 December	
	2020	2019 (Restated)
	USD	USD
Amounts Receivable from Related Party	1,781	1,781
Amounts Receivable on Stated Capital	3	3
	<b>1,784</b>	<b>1,784</b>

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

### 6. Currency Transactions

	As at 31 December	
	2020	2019
	USD	USD
Change in Contractual and Fair Value of Currency Transactions	<b>48,140,159</b>	<b>(15,895,346)</b>
Currency Transactions at Fair Value	<b>454,105,332</b>	<b>430,500,646</b>

## 6. Currency Transactions (continued)

As at 31 December 2020, there were certain Currency Transactions awaiting settlement in respect of the creation or redemption of Currency Securities with transaction dates before the year end and settlement dates in the following year:

- The amount receivable on Currency Transactions (Daily Repurchase Transactions) as a result of unsettled redemptions of Currency Securities is USD 3,196,435 (2019: USD 174,987).
- The amount payable on Currency Transactions (Daily Repurchase Transactions) as a result of unsettled creations of Currency Securities is USD 377,230 (2019: USD 161,827).

The below table shows a reconciliation of changes in the Currency Transactions, based upon the underlying factors that result in changes, and does not represent the transaction cash flows which are settled on a net basis as described in the Statement of Cash Flows:

	Year ended 31 December	
	2020	(Restated) 2019
	USD	USD
<b>Opening Currency Transactions</b>	<b>430,500,646</b>	<b>454,982,175</b>
Increase as a Result of Currency Securities Created	388,154,289	503,620,967
Decrease as a Result of Currency Securities Redeemed	(410,162,875)	(509,449,007)
Decrease as a Result of Management Fee Deducted	(2,526,887)	(2,758,143)
Change as a result of Daily Payment Amounts (Invested into Currency Transactions)	48,140,159	(15,895,346)
<b>Closing Currency Transactions</b>	<b>454,105,332</b>	<b>430,500,646</b>

The Currency Transactions are unfunded currency transactions with terms corresponding to the terms of Currency Securities. The Currency Transactions are made up of 2 components:

	As at 31 December	
	2020	(Restated) 2019
	USD	USD
Daily Repurchase Transactions	455,013,480	429,186,838
Daily Payment Amount	(908,148)	1,313,808
	<b>454,105,332</b>	<b>430,500,646</b>

The daily payment amount constitutes a derivative which is calculated in respect of each Currency Transaction on each day to reflect the movement in the relevant currency index and this amount will be payable by either the Company or the Currency Transaction Counterparty.

## 7. Currency Securities

Whilst the Currency Securities are quoted on the open market, the Company's ultimate liability relates to its contractual obligations to issue and redeem Currency Securities at set prices on each trading day. These prices are based on agreed formulae, and are equal to the published net asset value ("NAV") of each class of Currency Security. Therefore, the actual contractual issue and redemption of Currency Securities occur at a price that corresponds to the fair value of the Currency Transactions. As a result, the Company has no net exposure to gains or losses on the Currency Securities and Currency Transactions.

The Company measures the Currency Securities at their fair value in accordance with IFRS 13 rather than at the Contractual Value (as described in the Prospectus). The fair value is the price quoted on stock exchanges or other markets where the Currency Securities are listed or traded.

**7. Currency Securities (continued)**

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	
	2020	(Restated) 2019
	USD	USD
Change in Fair Value of Currency Securities	<u>(52,533,104)</u>	<u>16,890,715</u>
Currency Securities at Fair Value	<u>456,658,470</u>	<u>428,660,839</u>

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

	As at 31 December	
	2020	(Restated) 2019
	USD	USD
Change in Contractual Value for the Year	<u>(48,140,159)</u>	<u>15,895,346</u>
Currency Securities at Contractual Value	<u>454,105,332</u>	<u>430,500,646</u>

The gain or loss on the difference between the value of the Currency Transactions and the fair value of Currency Securities would be reversed on a subsequent redemption of the Currency Securities and closure of the corresponding Currency Transactions.

Refer to note 14 for the non-statutory and non-GAAP adjustments which reflect this reversal.

As at 31 December 2020, there were certain Currency Securities awaiting settlement in respect of creations or redemptions with transaction dates before the year end and settlement dates in the following year:

- The amount receivable as a result of unsettled creations of Currency Securities is USD 377,230 (2019: USD 161,827).
- The amount payable as a result of unsettled redemptions of Currency Securities is USD 3,196,435 (2019: USD 174,987).

The below tables shows a reconciliation of changes in the Currency Securities, being liabilities arising from financing activities:

	Year ended 31 December	
	2020	(Restated) 2019
	USD	USD
<b>Opening Currency Securities</b>	<b>428,660,839</b>	<b>454,137,737</b>
Securities Created	388,154,289	503,620,967
Securities Redeemed	(410,162,875)	(509,449,007)
Management Fee	(2,526,887)	(2,758,143)
Change in Fair Value	52,533,104	(16,890,715)
<b>Closing Currency Securities at Fair Value</b>	<b>456,658,470</b>	<b>428,660,839</b>

**7. Currency Securities (continued)**

The below tables shows a reconciliation of the movement on financing activities:

	Year ended 31 December	
	2020	(Restated) 2019
	USD	USD
<b>Opening Currency Securities</b>	<b>428,660,839</b>	<b>454,137,737</b>
Cash Received from the Issue of Currency Securities	387,938,886	503,459,140
Cash Paid on the Redemption of Currency Securities	(407,141,427)	(509,274,020)
<b>Net Cash Movements</b>	<b>(19,202,541)</b>	<b>(5,814,880)</b>
Management Fees	(2,526,887)	(2,758,143)
Non-Cash Movements on Amounts Receivable and Payable	(2,806,045)	(13,160)
Non-Cash Change in Fair Value	52,533,104	(16,890,715)
<b>Net Non-Cash Movements</b>	<b>47,200,172</b>	<b>(19,662,018)</b>
<b>Closing Currency Securities</b>	<b>456,658,470</b>	<b>428,660,839</b>

**8. Trade and Other Payables**

	As at 31 December	
	2020	(Restated) 2019
	USD	USD
ManJer Fees Payable	<b>271,274</b>	<b>58,162</b>

The fair value of these payables is equal to the carrying value. The ManJer Fee Payable is due to be settled within 12 months of the year end.

**9. Stated Capital**

	As at 31 December	
	2020	2019
	USD	USD
2 Shares of Nil Par Value, Issued at GBP 1 Each and Fully Paid	<b>3</b>	<b>3</b>

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 WisdomTree Holdings Jersey Limited ("HoldCo").

**10. Related Party Disclosures**

Entities and individuals which have significant influence over the Company, either through ownership or by virtue of being a director of the Company are considered to be related parties. In addition, entities with common ownership to the Company and entities with common directors are also considered to be related parties.

**10. Related Party Disclosures (continued)**

*Fees charged by ManJer during the year:*

	Year ended 31 December	
	(Restated)	
	2020	2019
	USD	USD
ManJer Fees	<u>2,506,438</u>	<u>2,737,127</u>

*The following balances were due (to)/from ManJer at the year-end:*

	As at 31 December	
	(Restated)	
	2020	2019
	USD	USD
Amount Receivable	1,781	1,781
ManJer Fees Payable	(271,274)	(58,162)
	<u>(269,493)</u>	<u>(56,381)</u>

*The following balances were due from HoldCo at the year-end:*

	As at 31 December	
	2020	2019
	USD	USD
Stated Capital	<u>3</u>	<u>3</u>

As disclosed in the Directors' Report, ManJer paid Directors' Fees in respect of the Company of GBP 16,000 (2019: GBP 16,000).

Steven Ross is a director of R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") and a partner in Rawlinson & Hunter, Jersey Partnership, which wholly owns R&H. Christopher Foulds is a senior employee of R&H. During the year, R&H charged ManJer administration fees in respect of the Company of GBP 135,592 (2019: GBP 127,763), of which GBP 33,898 (2019: GBP 34,013) was outstanding at the year end.

Peter Ziembra and Stuart Bell are executive officers of WisdomTree Investments, Inc.

**11. Financial Risk Management**

The Company is exposed to a number of risks arising from its activities including credit risk, liquidity risk, settlement risk and market risk. The Board is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board meets frequently to consider the risk exposures of the Company and to determine appropriate management policies. The risk management policies employed by the Company to manage these are discussed below. The information provided below is not intended to be a comprehensive summary of all the risks associated with the Currency Securities and investors should refer to the most recent Prospectus for a detailed summary of the risks inherent in investing in the Currency Securities. Any data provided should not be used or interpreted as a basis for future forecast or investment performance. The Currency 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.

## 11. Financial Risk Management (continued)

### (a) Credit Risk

Credit risk primarily refers to the risk that holders of Currency Securities who have entered into an authorised participant agreement with the Company (“Authorised Participants”) or the Currency Transaction Counterparty will default on their contractual obligations resulting in financial loss. Each class of Currency Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Currency Transactions (held to support the Currency Securities) and not to the Currency Transactions of any other class of Currency Securities or to the Company, therefore limiting the credit risk of the Company in connection with the issue of the Currency Securities.

The Company has entered into a facility agreement with Morgan Stanley enabling the Company to create and cancel Currency Transactions on an on-going basis. Morgan Stanley is currently the only Currency Transaction Counterparty. If Morgan Stanley discontinued the provision of Currency Transactions and the existing Currency Transactions expired without a replacement Currency Transaction Counterparty being appointed, the Company would be required to redeem the outstanding Currency Securities. There are compulsory redemption provisions as outlined in the prospectus that can be triggered by the Company or the Currency Transaction Counterparty in certain circumstances whereby a compulsory redemption of all Currency Securities in issue would be undertaken. The total carrying amount of the amounts receivable awaiting settlement and trade and other receivables best represent the maximum such credit risk exposure at the Statement of Financial Position date. At the reporting date the Company’s amounts receivable awaiting settlement and trade and other receivables are detailed on the Statement of Financial Position.

Cash received by the Company linked to Currency Transactions entered into with a Currency Transaction Counterparty is used to enter into a USD, GBP or EUR denominated daily repurchase transaction with the Currency Transaction Counterparty in exchange for eligible collateral on the terms described in the Company’s Prospectus. On each day the Currency Transaction Counterparty is required to pay back the USD, GBP and EUR amounts in exchange for the eligible collateral held the previous day, which allows the Company to enter into new daily repurchase transactions in exchange for eligible collateral required on that day, however in accordance the terms of a supplemental agreement to the Collateral Administration Master Agreement those new daily repurchase transactions can be paired with maturing deals on the previous daily repurchase transactions meaning that the net amounts (in each of USD, GBP and EUR) are transferred each day. This daily process therefore ensures that eligible collateral (at market fair value) received from the Currency Transaction Counterparty represents at least 100% of the exposure of the daily repurchase transaction receivable on a daily basis and accordingly no impairment to reflect expected credit loss has been provided for. This eligible collateral is held in accounts with the custodian, and exists to reduce potential credit risk if the Currency Transaction Counterparty were to default in respect of the Daily Repurchase Transactions component of the Currency Transactions where, if the Currency Transaction Counterparty defaults on its obligation, the Company may exercise its rights to realise such eligible collateral. The realised value of the collateral may differ from the amount owed by the Currency Transaction Counterparty, as prices fluctuate intraday (i.e. from the last point the exposure and eligible collateral were valued). Our eligible collateral rules reduce the risk of such a loss, but do not completely remove it.

The Company accepts the following as eligible collateral:

- Fixed income & money market funds rated no lower than AAA.
- Sovereign fixed income:
  - G10 and other European government bonds rated no lower than AA;
  - Supranational bonds with a L-T issuer rated no lower than AAA; and
  - US Agencies 100% backed by the government.
- Securities belonging to specific indices or major benchmarks such as S&P 500 and EURO STOXX 50, and other developed market indices such as NASDAQ and STOXX 600.

Furthermore, the eligible collateral rules apply strict margins and concentration limits. Eligible collateral with a market value of USD 486,610,626 was held in custody as at 31 December 2020 (2019: USD 452,510,023). As a result of the collateral held, the Company’s credit exposure to any Currency Transaction Counterparty in respect of Currency Transactions is intended to be limited on any day to the daily payment amounts due but not settled as at such day. The Board monitors credit risk exposure including through an assessment of the credit rating for Morgan Stanley to ensure the Company’s exposure is managed, and has continued to do so more closely with a focus on any the potential impact of, or developments relating to the spread of COVID-19, which is fluid and rapidly changing.

**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. The Company's receivables and payables are all payable on demand and generally settled on a short-term basis. In addition, amounts in respect of the Management Fee and creation and redemption fees are transferred from the relevant counterparties directly to ManJer and there are no cash flows through the Company.

The Currency Securities do not have a contractual maturity date and will only be redeemed at the request of the holder of the security, which may be requested at any time, or in the case of a compulsory redemption. Generally, only Authorised Participants can submit applications and redemptions directly with the Company.

Furthermore, liquidity risk of the Company is mitigated because the maturity profiles of the Currency Securities and Currency Transactions are matched, therefore the Company does not have to wait for a longer-term contract to mature in order to pay its debts to ex-security holders. Furthermore, while the agreements with the Currency Transaction Counterparty include limits (both daily and in the aggregate) on the issue and cancellation of Currency Transactions, the Company is not obliged to issue and redeem Currency Securities in excess of those limits under the terms of the security agreement. Consequently, the Company has not presented any tabular information in respect of liquidity risk.

*(c) Settlement Risk*

Settlement risk primarily refers to the risk that an Authorised Participant or the Currency Transaction 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 cash, Currency Securities or Currency Transactions on the settlement date. The directors feel that this risk is mitigated as a result of the cash or Currency Securities settling through the CREST system. The system ensures that the transaction does not settle until both parties have fulfilled their contractual obligations.

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

*(d) Capital Management*

The primary objective of the Company's capital management policy is to ensure that it maintains sufficient resources for operational purposes. The capital being managed is the Stated Capital as presented in the Statement of Changes in Equity. Retained Earnings and the Revaluation Reserve, as presented in the Statement of Changes in Equity, are not considered managed capital as these balances relate to unrealised gains and losses on Currency Transactions (held to support the Currency Securities) and Currency Securities, which are reversed on a subsequent redemption of the Currency Securities and the related cancellation of Currency Transactions and will therefore not be realised. 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.

The Company's principal activity is the issue and listing of Currency Securities. These Currency Securities are issued and redeemed as demand requires. The Company holds a corresponding number of Currency Transactions which matches the total liability of the Currency Securities issued. ManJer supplies or arranges the supply of all management and administration services to the Company and pays all management and administration costs of the Company, including trustee and custodian fees. In return for these services the Company pays ManJer a fee, which under the terms of the service agreement is equal to the aggregate of the Management Fee and creation and redemption fees earned.

As all Currency Securities in issue are supported by an equivalent number of Currency Transactions held with the Currency Transaction Counterparty and the running costs of the Company were paid by ManJer, the directors of the Company consider the capital management and value of its current capital resources are adequate to maintain the ongoing listing and issue of Currency Securities.

## 11. Financial Risk Management (continued)

### (e) Market Risk

Market risk is the risk that changes in market prices (such as index and equity prices, interest rates and foreign exchange rates) 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 Securities fluctuates according to the performance of the underlying currency index and the risk of such change in price is managed by the Company by entering into Currency Transactions with the Currency Transaction Counterparty which match the liability. The obligation of the Company to holders of the Currency Securities is limited to the net proceeds of the class collateral pool, which comprises rights under the Currency Transactions and daily repurchase transactions entered into with the Currency Transaction Counterparty. Whilst the Currency Securities are quoted on the open market, the Company's ultimate liability relates to its contractual obligations to issue and redeem Currency Securities at set prices on each trading day. The Company measures the Currency Securities at their fair value in accordance with IFRS 13 rather than at the Contractual Value (as described in the Prospectus). The gain or loss on the difference between the value of the Currency Transactions and the fair value of Currency Securities would be reversed on a subsequent redemption of the Currency Securities and cancellation of the corresponding Currency Transactions. Refer to note 7 for the further details regarding fair values.

The Company therefore bears no residual financial risk on a contractual basis from a change in the value of a currency or currency index by reference to the futures price. Furthermore, the impact of price sensitivity is considered immaterial to these financial statements.

However, there is an inherent risk from the point of view of investors as the values of currencies, and thus the value of the Currency Securities, may vary widely due to, amongst other things, changing supply and demand for a particular currency, government and monetary policy or intervention, interest rate levels and global or regional political, economic or financial events. The market price of Currency Securities is (and will remain) a function of supply and demand amongst investors wishing to buy and sell Currency Securities and the bid or offer spread that the market makers are willing to quote. This is highlighted further in note 14, and below under the Fair Value Hierarchy.

In some cases, movements in exchange rates can be so significant that they lead to the level of a Currency Index for any class falling to zero. Since leveraged currency indices provide leveraged exposure to daily changes in foreign exchange rates calculated against a base value determined on the second previous business day, it is possible that in certain highly volatile markets a leveraged currency index may fall to zero where the foreign exchange rate moves by a large amount over the course of two trading days or even where a particular exchange rate moves by a very large amount over the course of one day. In these circumstances the collateralised Currency Securities for that class may become subject to compulsory redemption at a zero price. In such situations, the collateralised Currency Securities may be redeemed for no value and the holder of the Currency Security will receive no payment on that redemption. Such events have not occurred during the current and prior years.

#### *Coronavirus disease (COVID-19)*

The COVID-19 pandemic continues to persist and the ultimate duration of the pandemic and its short-term and long-term impact on the global economy is unknown. National governments and supranational organisations in multiple states continue taking steps designed to protect their populations from COVID-19, including requiring or encouraging home working, the cancellation of sporting, cultural and other events and restricting or discouraging gatherings of people.

COVID-19 has created market turmoil and increased market volatility generally. Mutations in the virus, a setback in vaccine distribution and negative global economic consequences arising from the pandemic, amongst other factors, could have a future adverse impact on the global financial markets. The steps outlined above, and public sentiment, may affect both the volatility and prices of currencies and hence the prices of the Currency Securities, and such effects may be significant and may be long-term in nature. The directors are closely monitoring the advice and developments relating to the spread of COVID-19, particularly with its impact on ManJer, its assets under management, and therefore its related revenue streams, in respect of fulfilling the obligations under the services agreement. The directors' consideration in respect of the going concern position of the Company is set out in note 2.

**11. Financial Risk Management (continued)***(e) Market Risk (continued)**ii) Interest Rate Risk*

The Company holds custody accounts with The Bank of New York Mellon and this is where the cash received in connection with the issue of Currency Securities and received under the Currency Transactions is held. The majority of such cash is used to enter into daily repurchase transactions with the Currency Transaction Counterparty. The pricing of the Currency Transactions or the Currency Securities takes into account the incremental capital enhancement component of the Currency Security, which includes the impact of interest rates. This incremental capital enhancement component of the Currency Transactions and Currency Securities is attributable to the security holder. As a result, the Company does not have significant exposure to interest rate risk.

*iii) Currency Risk*

The Company has exposure to currency risk as the Currency Securities provide investors with long or short exposure to the daily foreign exchange performance of developed and emerging market currencies measured against USD, EUR or GBP. 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 Securities are matched economically by corresponding losses or gains attributable to the Currency Transactions.

*(f) 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 profit or loss and equity would have been affected by a reasonably possible change to the relevant risk variable.

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

*(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.
- 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 on-market price as the Currency Securities are quoted and traded on the open market. Where the market on which the Currency Securities prices are quoted is determined to be active at the relevant reporting date, the Currency Securities are classified as Level 1 financial liabilities. Where the market on which the Currency Securities prices are quoted is determined to be inactive at the relevant reporting date, the Currency Securities are classified as level 2 financial liabilities. The Company values the Level 2 Currency Securities using the unadjusted market price available at each reporting date. This is considered to most appropriately reflect the price at which transactions would occur as at the reporting date.

**11. Financial Risk Management (continued)**

*(g) Fair Value Hierarchy (continued)*

The Company's rights in respect of Currency Transactions relate to its contractual obligations to issue and redeem Currency 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 Security. Therefore, Currency Transactions are classified as level 2 financial assets, as the Company's asset is calculated using third party pricing sources supported by observable, verifiable inputs.

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

	Fair Value as at 31 December	
	2020 USD	2019 USD
<b>Level 1</b>		
Currency Securities	<b>(454,867,144)</b>	<b>(394,511,743)</b>
<b>Level 2</b>		
Currency Securities	(1,791,326)	(34,149,096)
Currency Transactions (Daily Payment Amount)	(908,148)	1,313,808
	<b>(2,699,474)</b>	<b>(32,835,288)</b>

The Currency Securities and the Daily Payment Amount component of Currency Transactions are recognised at fair value through profit or loss upon initial recognition and revalued to fair value in line with the Company's accounting policy. There are no assets or liabilities classified in level 3. The Daily Repurchase Transactions component of Currency Transactions totalling \$455,013,480 (2019: \$429,186,838) is recognised at amortised cost, in line with the Company's accounting policy, and therefore excluded from the analysis above.

Transfers between levels would be recognised if there was a change in circumstances that prevented public information in respect of Level 1 inputs from being available. Any such transfers would be recognised on the date of the change in circumstances that cause the transfer. Transfers between levels may also be recognised if the primary market on which the Currency Securities prices are quoted was determined to be inactive at the relevant reporting date. The Company considers both the last trade date and trading volumes during the 5 trading days leading up to each reporting date to determine if the market for a particular Currency Security is active. Transfers as a result of the analysis of the activity levels of the market are identified and recognised at each reporting date.

There were no transfers of reclassifications between Level 1 and Level 2 for any of the assets during the year or at the reporting date. As at 31 December 2020, Currency Securities with a fair value of USD 1,154,628 (2019: USD 30,877,129) were transferred from Level 1 to Level 2, and Currency Securities with a fair value of USD 33,453,517 (2019: USD 11,458,891) were transferred from Level 2 to Level 1.

**12. Ultimate Controlling Party**

In accordance with the disclosure requirements of IFRS the directors have determined that no entity meets the definition of immediate parent or ultimate controlling party. The holder of issued equity shares is HoldCo, a Jersey registered company. WisdomTree Investments, Inc is the ultimate controlling party of HoldCo.

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

There have been no significant events that 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 2020 or on the results and cash flows of the Company for the year ended on that date.

**14. Non-GAAP and Non-Statutory Information**

As a result of the mis-match in the accounting valuation of Currency Transactions (held to support the Currency Securities) and Currency Securities (as disclosed in notes 6 and 7) the profits and losses and comprehensive income of the Company presented in the Statement of Profit or Loss and Other Comprehensive Income reflect gains and losses which represent the movement in the cumulative difference between the value of the Currency Transactions and the price of Currency Securities. The Statement of Changes in Equity also reflects the fair value movements on both the Currency Transactions (held to support the Currency Securities) and the Currency Securities.

These gains or losses on the difference between the value of the Currency Transactions (held to support the Currency Securities) and the price of Currency Securities would be reversed on a subsequent redemption of the Currency Securities and cancellation of the corresponding Currency Transactions. Furthermore, each class of Currency Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Currency Transactions (held to support the Currency Securities) and not to the Currency Transactions of any other class of Currency Security or to the Company. As a result, the Company does not make gains from trading in the underlying Currency Transactions (held to support the Currency Securities) and, from a commercial perspective (with the exception of the impact of Management Fees) gains and losses in respect of Currency Transactions (held to support the Currency Securities) will always be offset by a corresponding loss or gain on the Currency Securities and the Company does not retain any net gains or losses.

The mismatched accounting values are as shown below:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Change in Contractual and Fair Value of Currency Transactions	48,140,159	(15,895,346)
Change in Fair Value of Currency Securities	(52,533,104)	16,890,715
	<b>(4,392,945)</b>	<b>995,369</b>

To reflect the commercial results, the Company has presented below a non-GAAP and non-Statutory Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity for the period which reflect an Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency Securities, together with those gains or losses being transferred to a separate reserve which is deemed non-distributable.

14. Non-GAAP and Non-Statutory Information (continued)

(a) Non-GAAP and Non-Statutory Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December	
	2020 USD	2019 USD
Income	2,526,887	2,758,143
Expenses	(2,526,887)	(2,758,143)
<b>Result Before Fair Value Movements</b>	<b>-</b>	<b>-</b>
Change in Fair Value of Currency Transactions	48,140,159	(15,895,346)
Change in Fair Value of Currency Securities	(52,533,104)	16,890,715
<b>(Loss) / Profit for the Year</b>	<b>(4,392,945)</b>	<b>995,369</b>
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency Securities	4,392,945	(995,369)
<b>Adjusted Result</b>	<b>-</b>	<b>-</b>

**14. Non-GAAP and Non-Statutory Information (continued)**

(b) *Non-GAAP and Non-Statutory Statement of Changes in Equity*

	Stated Capital USD	Retained Earnings USD	Revaluation Reserve <sup>4</sup> USD	Total Equity USD	Adjusted Total Equity USD
<b>Opening Balance at 1 January 2019</b>	3	1,781	844,438	846,222	1,784
Result and Total Comprehensive Income for the Year	-	995,369	-	995,369	995,369
Transfer to Revaluation Reserve	-	(995,369)	995,369	-	-
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency Securities	-	-	-	-	(995,369)
<b>Balance at 31 December 2019</b>	<b>3</b>	<b>1,781</b>	<b>1,839,807</b>	<b>1,841,591</b>	<b>1,784</b>
Opening Balance at 1 January 2020	3	1,781	1,839,807	1,841,591	1,784
Result and Total Comprehensive Expense for the Year	-	(4,392,945)	-	(4,392,945)	(4,392,945)
Transfer to Revaluation Reserve	-	4,392,945	(4,392,945)	-	-
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency Securities	-	-	-	-	4,392,945
<b>Balance at 31 December 2020</b>	<b>3</b>	<b>1,781</b>	<b>(2,553,138)</b>	<b>(2,551,354)</b>	<b>1,784</b>

<sup>4</sup> This represents the difference between the Value of Currency Transactions and the price of Currency Securities.

