

Source Physical Markets Plc

Interim report and condensed unaudited
financial statements

For the financial period ended 30 June 2016

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Directors and other information

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

Directors

Eimir McGrath (Irish)
Bronagh Hardiman (Irish)
(Appointed on 18 March 2016)
Rhys Owens (Irish)
(Resigned on 18 March 2016)

Registered Office

Pinnacle 2
Eastpoint Business Park
Dublin 3
Ireland

Administrator & Company Secretary

Deutsche International Corporate Services
(Ireland) Limited
Pinnacle 2
Eastpoint Business Park
Dublin 3
Ireland

Principal Paying Agent

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Portfolio Administrator & Account Bank

Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia
Maryland 21045
United States of America

Arranger

Source UK Services Limited
110 Cannon Street
London EC4N 6EU
United Kingdom

Solicitors & Irish Listing Agent

Maples and Calder
75 St. Stephen's Green
Dublin 2
Ireland

Trustee

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Metal Counterparty & Custodian

JP Morgan Chase Bank, N.A.
125 London Wall
London EC2Y 5AJ
United Kingdom

Banker

Bank of Ireland Corporate Banking
Block A 2nd Floor
Operations Centre
Cabinteely
Dublin 18
Ireland

Registered No: 471344

Interim management report

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

The Directors present their interim report and the unaudited financial statements of Source Physical Markets Plc (the "Company"), for the half financial year ended 30 June 2016.

Principal activities

Source Physical Markets Plc (the "Company") is a public limited liability company, incorporated on 26 May 2009 in Ireland under the Companies Act 2014 and has established the Secured Precious Metals-Linked Certificates Programme (the "Programme") pursuant to which the Company may, from time to time, issue collateralised limited recourse Certificates (the "Certificates") on the terms set out in the prospectus and final terms in respect of the relevant Certificates. The aggregate number of Certificates outstanding under the Programme will not at any time exceed 1,000,000,000.

Certificates may be sold to any one or more of Goldman Sachs International, Morgan Stanley & Co. International Plc, Merrill Lynch International, Virtu Financial Ireland Limited, Flow Traders B.V., Jane Street Financial Limited, J.P. Morgan Securities Limited and Commerzbank AG (each an 'Authorised Participant' under the terms of the authorised participant agreements). An Authorised Participant may subscribe for Certificates in accordance with the terms of the related Authorised Participant Agreement by either (i) transferring the relevant amount of precious metals via the books and records of the custodian's unallocated accounts (to form part of the mortgaged property) or (ii) making a cash payment in US Dollars of the relevant amount to the cash account, which shall be used to access Precious Metal (to form part of the mortgaged property).

Each Certificate carries a right on redemption of a payment of the cash amount, where cash settlement applies, or the delivery of an amount of Precious Metals equal to the delivery amount, where physical settlement applies, on the relevant settlement date. In order to effect any redemption where cash settlement applies, the relevant amount of Precious Metals will be sold in order to realise the relevant cash amount(s).

Series 1 - Secured Gold-Linked Certificates are listed on the Irish Stock Exchange, Swiss Stock Exchange (SIX), London Stock Exchange, Borsa Italiana and Deutsche Borse (Xetra). Series 2 - Secured Silver-Linked Certificates, Series 3 - Secured Platinum-Linked Certificates and Series 4 - Secured Palladium-Linked Certificates are listed on the London Stock Exchange and the Irish Stock Exchange.

Business review and key performance indicators

During the half-year:

- no new Series were issued;
- the Company made a profit of USD 187 (30 June 2015: USD 187);
- the Company issued USD 2,263,171,093 (31 December 2015: USD 1,167,862,261) and repaid USD 783,520,597 (31 December 2015: USD 982,614,034) of Certificates;
- the Company's accounts linked to a portfolio of underlying Precious Metals increased due to acquisition of gold, silver, platinum and palladium amounting to USD 2,263,171,093 (31 December 2015: USD 1,167,862,261);
- the Company's interest in accounts linked to a portfolio of underlying Precious Metals reduced due to sale of gold, silver, platinum and palladium amounting to USD 787,507,534 (31 December 2015: USD 988,638,785);

- the financial assets at fair value through profit or loss increased by 113% compared to the reporting year ended 31 December 2015 (2015: decreased by 6%); and
- the financial liabilities at fair value through profit or loss increased by 113% compared to the reporting year ended 31 December 2015 (2015: decreased by 6%).

As at 30 June 2016:

- the Company's total Certificates' indebtedness was USD 3,835,673,645 (31 December 2015: USD 1,797,824,006); and
- the net assets was USD 58,324 (31 December 2015: USD 58,137).

Future developments

The Directors expect the present level of activity to be sustained for the foreseeable future.

Results and dividends for the financial period and state of affairs at 30 June 2016

The results for the financial period are set out on page 5. No dividends are recommended by the directors for the financial period under review (30 June 2015: USD Nil).

Changes in directors, secretary and registered office

On 18 March 2016, Rhys Owens resigned as director of the Company and was replaced by Bronagh Hardiman on the same date.

There has been no other changes in directors, secretary or registered office during the financial period.

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

Directors, secretary and their interests

Apart from, Eimir McGrath and Rhys Owens (up to the date of his resignation) who hold 1 share each in the Company, none of the other directors nor the secretary hold any shares at that date or during the financial period. The transactions in relation to the Directors have been disclosed under note 16 to the financial statements.

Risk and uncertainties

The Company is subject to various risks. The principal risks facing the Company are outlined in note 17 to the financial statements.

Subsequent events

All subsequent events are disclosed in note 20 to the financial statements.

Credit events

There were no credit events noted during the financial period.

Accounting records

The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing adequate accounting personnel with the appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at Pinnacle 2, Eastpoint Business Park, Dublin 3, Ireland.

On behalf of the board



Eimir McGrath
Director



Bronagh Hardiman
Director

Date: 25 August 2016

Responsibility statement

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

The Company's Directors are responsible for preparing the management report and the interim financial statements in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge that:

- the condensed financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and results of the issuer, and
- the Interim Management Report includes a fair review of:
 - Important events that have occurred during the first six months of the financial year;
 - The impact of those events on the condensed financial statements; and
 - A description of the principal risks and uncertainties for the remaining six months of the financial year.

The Directors further indicate that such interim financial statements for the half year ended 30 June 2016 have not been audited.

On behalf of the board



Eimir McGrath
Director



Bronagh Hardiman
Director

Date: 25 August 2016

Financial Statements of the Company

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

Statement of comprehensive income

For the financial period ended 30 June 2016	Notes	Financial period ended 30 June 2016 USD	Financial period ended 30 June 2015 USD
Net changes in fair value of financial assets designated at fair value through profit or loss	4	562,609,865	(79,299,140)
Net changes in fair value of financial liabilities designated at fair value through profit or loss	5	(558,199,143)	82,386,843
Other expenses	6	(4,410,961)	(3,087,703)
Other income	7	489	250
Operating profit before taxation		250	250
Tax on profit on ordinary activities	8	(63)	(63)
Profit for the financial period		187	187
Increase in net assets attributable to holders of equity shares from operations		187	187

The accompanying notes to the financial statements on pages 9 to 15 form an integral part of these financial statements.

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

Statement of financial position

As at 30 June 2016	Notes	30 June 2016 USD	31 December 2015 USD
Assets			
Current assets			
Cash and cash equivalents	9	232,836	234,445
Other receivables	10	63,728,780	3,166,931
Financial assets designated at fair value through profit or loss	11	3,836,558,262	1,798,284,838
Total assets		3,900,519,878	1,801,686,214
Liabilities and equity			
Current liabilities			
Other payables	12	64,787,909	3,804,071
Financial liabilities designated at fair value through profit or loss	13	3,835,673,645	1,797,824,006
Total liabilities		3,900,461,554	1,801,628,077
Equity			
Called up share capital presented as equity	14	55,512	55,512
Revenue reserves		2,812	2,625
Total equity		58,324	58,137
Total liabilities and equity		3,900,519,878	1,801,686,214

On behalf of the board



Eimir McGrath
Director

Date: 25 August 2016



Bronagh Hardiman
Director

The accompanying notes to the financial statements on pages 9 to 15 form an integral part of these financial statements.

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

Statement of changes in equity

For the financial period ended 30 June 2016	Share capital USD	Revenue reserves USD	Total equity USD
Balance as at 1 January 2015	55,512	2,250	57,762
<i>Total comprehensive income for the financial period</i>			
Profit for the financial period	-	187	187
Balance as at 30 June 2015	55,512	2,437	57,949
Balance as at 1 July 2015	55,512	2,437	57,949
<i>Total comprehensive income for the financial period</i>			
Profit for the financial period	-	188	188
Balance as at 31 December 2015	55,512	2,625	58,137
Balance as at 1 January 2016	55,512	2,625	58,137
<i>Total comprehensive income for the financial period</i>			
Profit for the financial period	-	187	187
Balance as at 30 June 2016	55,512	2,812	58,324

The accompanying notes to the financial statements on pages 9 to 15 form an integral part of these financial statements.

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

Statement of cash flows

For the financial period ended 30 June 2016	Notes	Financial period ended 30 June 2016 USD	Financial period ended 30 June 2015 USD
Cash flows from operating activities			
Profit before taxation		250	250
<i>Adjustments for:</i>			
Increase in other receivables		(60,561,849)	(3,080,998)
Increase in other payables		60,983,838	3,070,902
Fair value movement in financial assets designated at fair value through profit or loss	4	(562,609,865)	79,299,140
Fair value movement in financial liabilities designated at fair value through profit or loss	5	558,199,143	(82,386,843)
Purchase of financial assets designated at fair value through profit or loss	11	(18,823,844)	(72,201,368)
Proceeds from disposal of financial assets designated at fair value through profit or loss	11	20,682,777	3,096,541
Tax paid		(63)	(63)
Net cash used in operating activities		(2,129,613)	(72,202,439)
Cash flows from financing activities			
Issue of financial liabilities designated at fair value through profit or loss	13	18,823,844	72,201,368
Redemption of financial liabilities designated at fair value through profit or loss	13	(16,695,840)	-
Net cash generated from financing activities		2,128,004	72,201,368
Net decrease in cash and cash equivalents		(1,609)	(1,071)
Cash and cash equivalents at start of the financial period		234,445	235,953
Cash and cash equivalents at end of the financial period	9	232,836	234,882

The accompanying notes to the financial statements on pages 9 to 15 form an integral part of these financial statements.

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

Notes to the financial statements

1. General information

Source Physical Markets Plc (the "Company"), is a limited liability company, incorporated on 26 May 2009 in Ireland under the Companies Act 2014 and has established the Secured Precious Metals-Linked Certificates Programme pursuant to which the Company may, from time to time, issue Certificates as set out in the Trust Deed. The aggregate number of Certificates outstanding under the Programme will not at any time exceed 1,000,000,000. The Certificates issued under the Programme will be in a Registered form and cleared through CREST.

The Company has invested in Gold, Silver, Platinum and Palladium (the "Precious Metals").

The Company has no direct employees.

Series 1 - Secured Gold-Linked Certificates are listed on the Irish Stock Exchange, Swiss Stock Exchange (SIX), London Stock Exchange, Borsa Italiana and Deutsche Borse (Xetra). Series 2 - Secured Silver-Linked Certificates, Series 3 - Secured Platinum - Linked Certificates and Series 4 - Secured Palladium-Linked Certificates are listed on the London Stock Exchange and the Irish Stock Exchange.

2. Basis of preparation

The condensed financial statements for the half year ended 30 June 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the interim financial statements for the financial period ended 30 June 2015 and the annual financial statements for the financial year ended 31 December 2015.

3. Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these condensed interim financial statements as were applied in the preparation of the Company's financial statements for the financial year ended 31 December 2015.

4. Net changes in fair value of financial assets designated at fair value through profit or loss

	Financial period ended 30 June 2016 USD	Financial period ended 30 June 2015 USD
Realised loss on disposal of financial assets designated at fair value through profit or loss	(39,440,035)	(79,292,608)
Unrealised fair value movement on financial assets designated at fair value through profit or loss	602,049,900	(6,532)
	<u>562,609,865</u>	<u>(79,299,140)</u>

5. Net changes in fair value of financial liabilities designated at fair value through profit or loss

	Financial period ended 30 June 2016 USD	Financial period ended 30 June 2015 USD
Realised gain on redemption of financial liabilities designated at fair value through profit or loss	44,054,356	82,438,632
Unrealised fair value movement on financial liabilities designated at fair value through profit or loss	(602,253,499)	(51,789)
	<u>(558,199,143)</u>	<u>82,386,843</u>

6. Other expenses

	Financial period ended 30 June 2016 USD	Financial period ended 30 June 2015 USD
Arranger fees	(4,410,961)	(3,086,638)
Foreign exchange loss	-	(1,065)
	<u>(4,410,961)</u>	<u>(3,087,703)</u>

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

7. Other income

	Financial period ended 30 June 2016 USD	Financial period ended 30 June 2015 USD
Corporate benefit	250	250
Foreign exchange gain	239	-
	489	250

8. Tax on profit on ordinary activities

	Financial period ended 30 June 2016 USD	Financial period ended 30 June 2015 USD
Profit on ordinary activities before tax – current tax	250	250
Current tax at 12.5%	(31)	(31)
Effect of:		
Income taxed at higher rates	(32)	(32)
Current tax charge	(63)	(63)

The Company is charged to corporation tax at a rate of 25% (2015: 25%). The Company will continue to be taxed at 25% in accordance with Section 110 of the Taxes Consolidation Act 1997.

9. Cash and cash equivalents

	30 June 2016 USD	31 December 2015 USD
Wells Fargo Bank, N.A	222,407	222,407
Bank of Ireland		
Corporate Banking	10,429	12,038
Cash at bank	232,836	234,445

Cash balances are held with Wells Fargo Bank, N.A (96%) (2015: 95%) and Bank of Ireland Corporate Banking (4%) (2015: 5%).

10. Other receivables

	30 June 2016 USD	31 December 2015 USD
Certificate receivables*	63,680,674	3,120,684
Other income receivable	46,606	44,997
Corporate benefit receivable	1,500	1,250
	63,728,780	3,166,931

* As at 30 June 2016, the issuances of 491,800 Certificates @ USD 129.48 each for Series 1- Secured Gold-Linked Certificates due 2100 (31 December 2015: the issuances of 30,003 Certificates @ USD 104.01 each for Series 1- Secured Gold-Linked Certificates due 2100) remained unsettled.

11. Financial assets designated at fair value through profit or loss

	30 June 2016 USD	31 December 2015 USD
Precious metals	3,836,558,262	1,798,284,838

At start of financial period/year 1,798,284,838 1,919,987,722

Cash transactions

Additions during the financial period/year	18,823,844	82,110,713
Disposals during the financial period/year	(20,682,777)	(15,637,664)

Non-cash transactions

Additions during the financial period/year	2,244,347,249	1,085,751,548
Disposals during the financial period/year	(766,824,757)	(973,001,121)
Realised loss on disposal during the financial period/year	(39,440,035)	(171,364,819)
Unrealised fair value movement during the financial period/year	602,049,900	(129,561,541)

At end of financial period/year 3,836,558,262 1,798,284,838

Interim Report and condensed unaudited Financial Statements for the half year ended 30 June 2016

11. Financial assets designated at fair value through profit or loss (continued)

Series name	Units Outstanding 30 June 2016	NAV per unit 30 June 2016	Fair value 30 June 2016 USD	Units Outstanding 31 December 2015	NAV per unit 31 December 2015	Fair value 31 December 2015 USD
Gold	2,732,498	1,320.75	3,608,946,550	1,542,659	1,062.25	1,638,689,447
Silver	3,636,687	18.36	66,769,575	824,557	13.82	11,395,372
Platinum	76,736	999.00	76,659,206	81,241	872.00	70,842,199
Palladium	142,925	589.00	84,182,931	141,422	547.00	77,357,820
			<u>3,836,558,262</u>			<u>1,798,284,838</u>

The financial assets are secured in favour of Deutsche Trustee Company Limited for the benefit of itself and the Certificate holders. The non-cash transactions relate to physical delivery of precious metals against delivery of Certificates.

The Precious Metals have upon initial recognition been designated at fair value through profit or loss.

The Precious Metals are held as collateral for Certificates issued by the Company.

12. Other payables

	30 June 2016 USD	31 December 2015 USD
Investment payable*	63,680,674	3,120,684
Fees payable to arranger	884,828	460,980
Other payables	222,407	222,407
	<u>64,787,909</u>	<u>3,804,071</u>

* As at 30 June 2016, the acquisition of 48,188 units of gold @ USD 1,321.50 each (2015: 2,944.04 units of gold @ USD 1,060 each) remained unsettled.

13. Financial liabilities designated at fair value through profit or loss

	30 June 2016 USD	31 December 2015 USD
Secured ETC Index Linked	3,835,673,645	1,797,824,006
At start of financial period/year	1,797,824,006	1,919,491,086
<i>Cash transactions</i>		
Issued during the financial period/year	18,823,844	82,110,713
Redemptions during the financial period/year	(16,695,840)	(9,612,913)
<i>Non-cash transactions</i>		
Issued during the financial period/year	2,244,347,249	1,085,751,548
Redemptions during the financial period/year	(766,824,757)	(973,001,121)
Realised gain on redemption during the financial period/year	(44,054,356)	(176,319,424)
Unrealised fair value movement in liability during the financial period/year	602,253,499	(130,595,883)
At end of financial period/year	<u>3,835,673,645</u>	<u>1,797,824,006</u>

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13. Financial liabilities designated at fair value through profit or loss (continued)

The non-cash transactions relate to physical delivery of Precious Metals to meet the redemption requests on notes or as payment for subscriptions.

Series name	Units Outstanding	NAV per unit	Fair value	Units Outstanding	NAV per unit	Fair value
	30 June 2016	30 June 2016	30 June 2016	31 December 2015	31 December 2015	31 December 2015
			USD			USD
Series 1 - Secured Gold-Linked Certificates due 2100	27,881,325	129.41	3,608,133,279	15,717,602	104.23	1,638,281,807
Series 2 - Secured Silver-Linked Certificates due 2100	3,710,383	17.99	66,748,440	839,583	13.57	11,391,056
Series 3 - Secured Platinum-Linked Certificates due 2100	782,915	97.88	76,635,467	827,255	85.61	70,818,984
Series 4 - Secured Palladium-Linked Certificates due 2100	1,458,218	57.71	84,156,459	1,440,056	53.70	77,332,159
			<u>3,835,673,645</u>			<u>1,797,824,006</u>

Maturity Analysis	30 June	31 December
	2016	2015
	USD	USD
Less than 1 year	3,835,673,645	1,797,824,006
1-2 years	-	-
2-5 years	-	-
Over 5 years	-	-
	<u>3,835,673,645</u>	<u>1,797,824,006</u>

Series 1 - Secured Gold-Linked Certificates are listed on the Irish Stock Exchange, Swiss Stock Exchange (SIX), London Stock Exchange, Borsa Italiana and Deutsche Borse (Xetra). Series 2 - Secured Silver-Linked Certificates, Series 3 - Secured Platinum-Linked Certificates and Series 4 - Secured Palladium-Linked Certificates are listed on the London Stock Exchange and the Irish Stock Exchange.

14. Called up share capital presented as equity

	30 June	31 December
	2016	2015
<i>Authorised:</i>	EUR	EUR
40,000 Ordinary shares of EUR 1 each	40,000	40,000
<i>Issued and fully paid up:</i>	USD	USD
40,000 Ordinary shares of EUR 1 each	55,512	55,512

The financial liabilities have been classified as having a maturity of less than 1 year as the Secured Precious Metals-Linked Certificates can be redeemed at the option of the Certificate holders. The final maturity date of the Secured Precious Metals-Linked Certificates is 31 December 2100.

The Company's obligations under the Certificates issued are secured by financial assets held as stated in note 11.

The price of the Certificates is directly linked to the price of the Metals to which they are linked.

In the event that the accumulated losses prove not to be recoverable during the life of the Certificates issued, this will reduce the obligation to the holders of the Certificates issued by the Company.

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15. Ownership of company

The principal shareholder of the Company is Deutsche International Finance (Ireland) Limited which holds 39,994 shares in Trust. A Board of Directors has been appointed at the date of inception to manage the day to day affairs of the Company. The Board have considered who the ultimate controlling party of the Company is. The Board have concluded that no individual party involved in the structure as identified on page 1 has the power to alter, in any way, the strategic investment objective of the Series as set out in the Series' prospectus. Substantially all the risks and rewards of the Company are transferred to the Certificate holders.

16. Related party transactions

The Directors, Bronagh Hardiman, Eimir McGrath and Rhys Owens (up to the date of his resignation) are employees of Deutsche International Corporate Services (Ireland) Limited, which is the administrator of the Company and a related Company of Deutsche International Finance (Ireland) Limited. During the financial period, the Company incurred a fee of EUR 11,250 (30 June 2015: EUR 11,250) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited. All expenses are settled by the arranger. Management fees paid to the Arranger amounted to USD 4,410,961 during the financial period (30 June 2015: USD 3,086,638).

The Directors are of the view that there are no other related party transactions requiring disclosures. The Directors received no remuneration from the Company in the financial period ended 30 June 2016 (30 June 2015: USD Nil).

17. Financial risk management

Risk management framework

The Company has exposure to the following risks from its use of financial instruments:

- Operational risk;
- Credit risk;
- Market risk; and
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour.

Operational risk arises from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in note 1. All management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited. Deutsche Bank AG, London Branch acts as the Company's principal paying agent as at 30 June 2016. As at 30 June 2016, Wells Fargo Bank, N.A. acts as the portfolio administrator.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's precious metals-linked assets. The Company's principal financial assets are cash and cash equivalents and financial assets designated at fair value through profit or loss, which represents the Company's maximum exposure to credit risk. The carrying amount of financial assets represents the maximum credit exposure.

Market risk

Market risk is the risk that changes in market prices of the Precious Metals will affect the Company's income or the value of its holdings of financial instruments. The Certificate holders are exposed to the market risk of the assets portfolio. Market risk embodies the potential for both gains and losses and price risk.

(i) Interest rate risk

Interest rate risk is the risk that the Company does not receive enough interest from the financial assets to secure interest payments on the financial liabilities. The Certificates issued and the financial assets do not bear any interest. There is some interest rate risk associated with cash held at bank.

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17. Financial risk management (continued)

Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to currency risk is not significant and is limited to share capital issued of EUR 40,000 (USD 55,512) and cash and cash equivalents with Bank of Ireland Corporate Banking of EUR 9,390 (USD 10,429) as at 30 June 2016 (31 December 2015: EUR 11,082 (USD 12,038)). All other financial assets and financial liabilities are denominated in USD.

(iii) Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company does not consider price risk to be a significant risk to the Company as any fluctuation in the value of financial assets at fair value through profit or loss held by the Company will be borne by the Certificate holders.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company limits its exposure to liquidity risk given the Company's ability to realise the Precious Metals in cash. All substantial risks and rewards associated with the financial assets are ultimately borne by the Certificate holders.

The financial liabilities are carried at fair value through profit or loss. The ultimate amount repaid to the Certificate holders will depend on the proceeds from the collateral.

Fair values

The Company's financial assets and financial liabilities issued are carried at fair value on the Statement of financial position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. The carrying amounts of all the Company's financial assets and financial liabilities at the reporting date approximated their fair values.

The Company's financial instruments carried at fair value are analysed below by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Although the Directors believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value as fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument.

For recognised fair values measured using significant unobservable inputs, changing one or more assumptions used to reasonably possible alternative assumptions would not have any effect on the profit or loss or on equity as any change in fair value of the financial assets will be borne by the Certificate holders due to the limited recourse nature of the debt issued by the Company.

The valuation inputs for the financial assets are based on quoted market prices in active markets.

The Precious Metals-Linked Certificates are exchange traded and there is trading in the Certificates. As such, the financial liabilities are classified as Level 2 in the fair value hierarchy.

18. Operating expenses

All costs associated with the Company are borne by Source UK Services Limited, London.

As at 30 June 2016, the amount payable to the arranger is USD 1,107,235 (31 December 2015: USD 683,387).

No director fees were paid during the financial period.

19. Comparatives

In line with IAS 34, the comparative information for the Statement of comprehensive income, Statement of cash flows and Statement of changes in equity are for the financial period ended 30 June 2015 and the comparative information for the Statement of financial position is 31 December 2015.

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20. Subsequent events

There has been no significant event that requires disclosure since the financial period end.

21. Approval of financial statements

The board of Directors approved these financial statements on 25 August 2016.

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