source

# Source Commodity Markets Plc

## Directors' report and audited financial statements

For the year ended 31 December 2012

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# Directors and other information

## Annual Report and Audited Financial Statements 2012

**Directors**
Margaret Kennedy (Irish)
Conor Blake (Irish – appointed on 11 October 2012)
Eimir McGrath (Irish - alternate director to Margaret Kennedy) (Appointed 11 April 2012)
Jennifer Coyne (Irish - resigned on 11 October 2012)

**Registered Office**
5 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

**Banker, Portfolio Administrator & Custodian**
Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia
MD 21045
United States

**Administrator & Company Secretary**
Deutsche International Corporate Services
(Ireland) Limited
5 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

**Arranger & Portfolio adviser**
Source UK Services Limited
14th Floor, One Angel Court
London EC2R 7HJ
United Kingdom

**Independent Auditor**
PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

**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

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

Deutsche Bank AG, Frankfurt Branch
Grosse Gallusstrasse 10-14
60272 Frankfurt am Main
Germany

Registered No: 463311

# Director's Report

## Annual Report and Audited Financial Statements 2012

The Directors' present their annual report and audited financial statements of Source Commodity Markets Plc (the "Company") for the year ended 31 December 2012.

### Principal activities

Source Commodity Markets Plc (the "Company") is a limited liability company, incorporated on 15 October 2008 in Ireland under the Companies Act, 1963 to 2012 and has established the T-Bill Secured ETC Programme pursuant to which the Company may, from time to time, issue secured exchange traded commodity linked 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 5,000,000,000.

The Certificates are exchange-traded securities designed to replicate the performance of the commodity index specified in the relevant Final Terms (the "Commodity Index") as closely as possible. The Certificates are in bearer form and issued in Series (each "Series"). Certificates of each Series are secured, limited recourse obligations of the Company which rank equally among themselves. The net issuance proceeds of each Series were used to purchase the US Treasury Bills comprising the collateral for such Series and to enter into derivative contracts to enable tracking of the relevant Commodity Index. Upon each further issuance of Certificates of a Series, the issue proceeds are used to acquire additional assets as collateral for such further issuance of Certificates. Certificates may be sold to any one or more of Goldman Sachs International, Morgan Stanley & Co. International Plc and Merrill Lynch International (each an 'Authorised Participant' under the terms of the authorised participant agreements or such other authorised participants as may be appointed from time to time).

The Certificates issued are listed on the Irish Stock Exchange.

### Business review and key performance indicators

During the year,

- the Company issue the following Series; Series 28 – Brent Crude Oil Enhanced Total Return Index Linked Certificates
- the Company redeemed the following Series;
  Series 3– Coffee Total Return Index Linked Certificates
  Series 5 – Cotton Total Return Index Linked Certificates
  Series 6 – Crude Total Return Index Linked Certificates
  Series 8 – Non Energy Total Return Index Linked Certificates
  Series 12 – Livestock Total Return Index Linked Certificates
  Series 14 – Petroleum Total Return Index Linked Certificates
  Series 22 – Ultra light energy Total Return Index Linked Certificates
  Series 26 – Zinc Total Return Index Linked Certificates
  Series 27 – Nickel Total Return Index Linked Certificates
- the Company made a profit of US$475 (2011: Nil) due to new issuance;
- the net gain on derivative financial instruments amounted to US$363,395 (2011: US$47,499);
- the net gain on financial assets designated at fair value through profit or loss amounted to US$29,940
  (2011: net loss of US$214,246);
- the net loss on financial liabilities designated at fair value through profit or loss amounted to US$978,216 (2011: net gain of US$29,983,932);
- the net swap income amounted to US$1,542,802 (2011: net swap expense of US$28,590,301);
- the total amount of Certificates issued during the year was US$238,477,883
  (2011: US$374,917,268) within the existing Series;
- the total amount of Certificates redeemed during the year was US$222,270,635
  (2011: US$427,422,902) within the existing Series;
- the total amount of US Treasury Bills acquired during the year was US$1,100,446,997
  (2011: US$1,554,122,460) within the existing Series;
- the total amount of US Treasury Bills disposed during the year was US$1,084,759,450
  (2011: US$1,630,138,269) within the existing Series;
- the financial assets designated at fair value through profit or loss increased by 8% compared to the year ended 31 December 2012 (2011: 29%);
- the financial liabilities designated at fair value through profit or loss increased by 9% compared to the year ended 31 December 2012 (2011: 31%); and
- the investments continued to perform in accordance with their objectives.

As at 31 December 2012,

- the Company's total Certificates' indebtedness was
  US$204,438,473
  (2011: US$187,253,009);

# Director's Report (continued)

## Annual Report and Audited Financial Statements 2012

### Business review and key performance indicators (continued)

- the net assets was US$69,640 (2011: US$69,165); and
- the total nominal amount of the US Treasury Bills was US$201,858,000 (2011: US$186,134,000).

### Future developments

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

### Results and dividends for the year and state of affairs at 31 December 2012

The results for the year are set out on page 7. No dividends are recommended by the Directors for the year under review (2011: Nil).

### Risk and uncertainties

The Company is subject to various risks. The principal risks facing the Company are outlined in note 21 to the financial statements.

### Directors, secretary and their interests

The Directors and secretary who held office on 31 December 2012 did not hold any shares in the Company at that date, or during the year.

### Related party disclosures

The related party transactions are disclosed in note 20 to the financial statements.

### Credit events

There were no credit events noted during the year.

### Changes in directors, registered office or secretary

On 11 October 2012, Jennifer Coyne resigned as Director and Conor Blake was appointed as Director. On 11 April 2012, Eimir McGrath was appointed as alternate director to Margaret Kennedy. There has been no other change in Directors or registered office or secretary during the year.

### Corporate governance statement

Introduction

The Company is subject to and complies with Irish Statute comprising the Companies Acts, 1963 to 2012 and the Listing rules of the Irish Stock Exchange. The European Communities (Directive 2006/46/EC) Regulations (S.I. 450 of 2009 and S.I. 83 of 2010) (the "Regulations"). The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

*Financial Reporting Process*

The Board of Directors (the "Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator, Deutsche International Corporate Services (Ireland) Limited, to maintain the accounting records of the Company independently of Source UK Services Limited (the "Arranger") and Wells Fargo Bank, N.A, (the "Custodian"). The Administrator is contractually obliged to maintain proper books and records as required by the Corporate Administration agreement.

To that end, the Administrator performs reconciliations of its records to those of the Arranger and the Custodian. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time, the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

*Risk Assessment*

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. By appointing Deutsche International Corporate Services (Ireland) Limited, the Board ensures that processes are put in place to identify changes in accounting rules and recommendations and to ensure that these changes accurately reflected in the Company's financial statements. More specifically;

## Corporate governance statement (continued)

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Administrator.
- Accounting bulletins, issued by Deutsche Bank AG, London, an entity related to Deutsche International Corporate Services (Ireland) Limited, are distributed monthly to all accountants employed by the Administrator.

*Control Activities*

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

*Monitoring*

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

*Capital Structure*

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

There are no restrictions on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, Irish Statute comprising the Companies Acts, 1963 to 2012 and the Listing Rules of the Irish Stock Exchange. The Articles of Association themselves may be amended by special resolution of the shareholders.

*Powers of Directors*

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the Directors. The Directors have delegated the day to day administration of the Company to the Administrator. The Directors cannot issue or buy back the shares of the Company.

## Audit committee

Statutory audits in Ireland are regulated by the European Communities Regulations, 2010 (S.I. 220 of 2010). According to the regulations, if the sole business of the Irish SPV relates to the issuing of asset backed securities, the SPV is exempt from the requirement to establish an audit committee (under Regulation 91(9) (d) of the Regulations). In this respect, the Company is not required to establish an audit committee.

## Accounting records

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with the appropriate expertise. The books of account of the Company are maintained at 5 Harbourmaster Place, IFSC, Dublin 1.

## Subsequent events

There have been no significant events since the year end up to the date of signing this report that requires disclosure in the financial statements.

## Independent auditor

In accordance with Section 160(2) of the Companies Act, 1963 to 2012, PricewaterhouseCoopers, Chartered Accountants and Registered Auditor has expressed their willingness to continue in office.

On behalf of the board

Conor Blake
Director

Margaret Kennedy
Director

Date: 18 April 2013

# Statement of Directors' Responsibilities

## Annual Report and Audited Financial Statements 2012

The Directors are responsible for preparing the Directors' report and financial statements, in accordance with applicable law and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The Company's financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Company. The Companies Acts, 1963 to 2012 provide in relation to such financial statements that references in the relevant parts of those Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the 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; and
- state that the financial statements comply with IFRSs as adopted by the EU and in accordance with Companies Acts, 1963 to 2012; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2012.

They are also responsible 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 also required by the Transparency (Directive 2004/109/EC) Regulation 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority to include a Directors' report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company.

### Directors' statement pursuant to transparency regulations

Each of the Directors, whose name and functions are listed on page 1 of the financial statements confirm that, to the best of each person's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view, of the state of the assets, liabilities, financial position and of the profit of the Company for the year then ended; and
- the Directors' report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the board

Conor Blake
Director

Margaret Kennedy
Director

Date: 18 April 2013

# Independent Auditors' Report to the Members of Source Commodity Markets Plc

We have audited the financial statements of Source Commodity Markets Plc for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the company's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2012.

## Matters on which we are required to report by the companies acts 1963 to 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The financial statements are in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the company, as stated in the Statement of Financial Position, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

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

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2012 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Kenneth Owens
for and on behalf of
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 18 April 2013

## Annual Report and Audited Financial Statements 2012

### Statement of comprehensive income

| For the year ended 31 December 2012 | Notes | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|---|
| Interest income | | 99,674 | 150,754 |
| Net gain/(loss) on fair value of financial assets designated at fair value through profit or loss | 4 | 29,940 | (214,246) |
| Net (loss)/gain on fair value of financial liabilities designated at fair value through profit or loss | 5 | (978,216) | 29,983,932 |
| Net gain in derivative financial instruments | 6 | 363,395 | 47,499 |
| Net swap income/(expense) – total return swaps | 7 | 1,542,802 | (28,590,301) |
| Other income | 8 | 6,832 | 6,850 |
| Other expenses | 9 | (1,063,794) | (1,384,488) |
| Operating profit before taxation | | 633 | - |
| Tax on profit on ordinary activities | 10 | (158) | - |
| Profit for the year | | 475 | - |
| Increase in net assets attributable to holders of equity shares from operations | | 475 | - |

The Company had no recognised gains or losses in the financial year other than those dealt with in the statement of comprehensive income.

On behalf of the board

Conor Blake
Director

Margaret Kennedy
Director

Date: 18 April 2013

The accompanying notes to the financial statements on pages 11 to 30 form an integral part of these financial statements.

## Statement of financial position

| As at 31 December 2012 | Notes | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | 11 | 2,899,390 | 8,560,579 |
| Other receivables | 12 | 1,655,149 | 15,429,662 |
| Derivative financial instruments | 17 | 1,010,623 | 755,677 |
| Financial assets designated at fair value through profit or loss | 15 | 201,849,732 | 186,132,245 |
| Total assets | | 207,414,894 | 210,878,163 |
| | | | |
| Liabilities and equity | | | |
| Liabilities | | | |
| Other payables | 13 | 2,793,413 | 23,334,170 |
| Derivative financial instruments | 17 | 113,368 | 221,819 |
| Financial liabilities designated at fair value through profit or loss | 16 | 204,438,473 | 187,253,009 |
| Total liabilities | | 207,345,254 | 210,808,998 |
| Shareholders' funds - equity | | | |
| Share capital | 18 | 54,652 | 54,652 |
| Revenue reserves | | 14,988 | 14,513 |
| Total equity | | 69,640 | 69,165 |
| Total liabilities and equity | | 207,414,894 | 210,878,163 |

On behalf of the board

Conor Blake
Director

Margaret Kennedy
Director

Date: 18 April 2013

The accompanying notes to the financial statements on pages 11 to 30 form an integral part of these financial statements.

## Statement of changes in equity

| For the year ended 31 December 2012 | Share capital US$ | Revenue reserves US$ | Total equity US$ |
|---|---|---|---|
| Balance as at 1 January 2011 | 54,652 | 14,513 | 69,165 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | - | - |
| Balance as at 31 December 2011 | 54,652 | 14,513 | 69,165 |
| Balance as at 1 January 2012 | 54,652 | 14,513 | 69,165 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | 475 | 475 |
| Balance as at 31 December 2012 | 54,652 | 14,988 | 69,640 |

The accompanying notes to the financial statements on pages 11 to 30 form an integral part of these financial statements.

## Statement of cash flows

| For the year ended 31 December 2012 | Notes | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before taxation | | 633 | - |
| Adjustments for: | | | |
| Decrease in other receivables | | 15,426,235 | 3,357,333 |
| Decrease in other payables | | (22,058,853) | (3,851,788) |
| Net (gain)/loss in fair value of financial assets designated at fair value through profit or loss | 4 | (29,940) | 214,246 |
| Net loss/(gain) in fair value of financial liabilities designated at fair value through profit or loss | 5 | 978,216 | (29,983,932) |
| Net gain in derivative financial instruments | 6 | (363,395) | (47,499) |
| Net cash used in operating activities | | (6,047,104) | (30,311,640) |
| | | | |
| Cash flows from investing activities | | | |
| Purchase of financial assets designated at fair value through profit or loss | | (1,098,929,059) | (1,549,379,485) |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | | 1,084,759,450 | 1,614,708,607 |
| Net cash (used in)/generated from investing activities | | (14,169,609) | 65,329,122 |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from issuance of financial liabilities designated at fair value through profit or loss | 16 | 236,826,159 | 374,917,268 |
| Redemption of financial liabilities designated at fair value through profit or loss | | (222,270,635) | (412,186,283) |
| Net cash generated from/(used in) financing activities | | 14,555,524 | (37,269,015) |
| | | | |
| Net decrease in cash and cash equivalents | | (5,661,189) | (2,251,533) |
| Cash and cash equivalents at start of the year | | 8,560,579 | 10,812,112 |
| Cash and cash equivalents at end of the year | 11 | 2,899,390 | 8,560,579 |
| | | | |
| Interest received | | 104,206 | 157,604 |

The accompanying notes to the financial statements on pages 11 to 30 form an integral part of these financial statements.

## Notes to the Financial Statements

### 1. General information

Source Commodities Markets Plc (the "Company") is a limited liability company, incorporated on 15 October 2008 in Ireland under the Companies Acts, 1963 to 2012. The Company has established the T-Bill Secured ETC Programme pursuant to which the Company may, from time to time, issue secured exchange traded commodity linked 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 5,000,000,000.

The Company has no direct employees.

The Certificates are listed on the Irish Stock Exchange.

### 2. Basis of preparation

#### (A) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2012.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements are for year ended 31 December 2011.

These financial statements have been prepared on a going concern basis as defined in the Directors' report.

#### (B) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Financial assets designated at fair value through profit or loss are measured at fair value; and
- Financial liabilities designated at fair value through profit or loss is measured at fair value.

The methods used to measure fair values are discussed further in note 3(b).

#### (C) Functional and presentation currency

The financial statements are presented in US Dollars (US$) which is the Company's functional currency and presentational currency. Functional currency is the currency of the primary economic environment in which the entity operates. The financial liabilities issued are primarily denominated in US Dollars (US$). The Directors of the Company believe that US Dollars (US$) most faithfully represents the economic effects of the underlying transactions, events and conditions.

#### (D) Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

*Key sources of estimation uncertainty*
Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 3(b) and 21.

*Determining fair values*
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(b) "Fair value measurement principles" and note 21 to the financial statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

## 2. Basis of preparation (continued)

### (D) Use of estimates and judgements (continued)

*Critical accounting judgements in applying the Company's accounting policies*
The Company's accounting policy on fair value measurements is discussed under note 3(b) "Financial instruments". Critical accounting judgements made in applying the Company's accounting policies in relation to valuation of financial instruments are as follows:

*Valuation of financial instruments*
The Company measures fair values using the following hierarchy of methods:

- Quoted market price in an active market for an identical instrument.
- Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (A) Foreign currency transaction

Transactions in foreign currencies are translated to the functional currency at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

At each reporting date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are translated at the rate prevailing on the statement of financial position. Gains and losses arising on retranslation of financial instruments at fair value through profit or loss are included in the statement of comprehensive income together with respective fair value gains/losses.

### (B) Financial instruments

*Initial recognition*
The Company initially recognises financial assets and liabilities issued on the date that they are originated. All other financial assets (including financial assets designated at fair value through profit or loss) and all other financial liabilities (including financial liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company has designated its holdings in US Treasury Bills and its Certificates issued at fair value through profit or loss.

*Derecognition*
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*Offsetting*
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 3. Significant accounting policies (continued)

### (B) Financial instruments (continued)

*Subsequent measurement*

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss at their fair value. Subsequent changes in the fair value of financial instruments designated at fair value through profit or loss are recognised directly in the statement of comprehensive income. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker or counterparty, in the case of non-exchange traded instruments, at the reporting date without any deduction for estimated future selling costs.

*Derivative financial instruments*

Derivative financial instruments include all derivative assets and liabilities that are used to economically hedge the derivatives of each Series from any interest rate and market fluctuations affecting the relevant collateral assets. Such derivatives are not however formally designated into a qualifying hedge relationship and therefore all changes in their fair value are recognised immediately in the statement of comprehensive income.

*Fair value measurement principles*

Financial assets designated at fair value through profit or loss is priced at their current bid prices. If a quoted market price is not available on a recognised stock exchange, the fair value of the financial instruments may be estimated by the Directors based on values obtained from brokers and specialist pricing vendors who may use a variety of valuation techniques such as discounted cash flow techniques, option pricing models or any other valuation technique that provides an estimate of prices obtained should the investment be traded. If other independent prices were available for the investments, the valuation may be different to those presented and those differences could be material. Therefore, the realisable value of the Company's investments may differ significantly from the fair value recorded.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Directors' best estimates and the discount rates. The discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data available at the reporting date. Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the statement of comprehensive income. Where the Company holds derivatives with offsetting markets risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk position and applies this bid or asking price to the net open position as appropriate.

### (C) Changes in accounting policies

There were no changes to accounting policies which had an impact on Company's financial statements during the year.

*Standards, amendments and interpretations that are not yet effective and not relevant for the Company's operations*

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have any impact on the Company's financial position or performance.

3. Significant accounting policies (continued)

(C) Changes in accounting policies (continued)

*Standards, amendments and interpretations that are not yet effective and not relevant for the Company's operations (continued)*

IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Company's financial position or performance.

IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013, has not been early adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

(D) Financial liability and equity

The financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of net finance (loss)/gain on debt Certificates issued. Finance payments associated with financial instruments that are classified in equity are distributions from the net income attributable to equity holders and are recorded directly in equity.

(E) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short term commitments.

(F) Share capital

Share capital is issued in Euro. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(G) Net gain/(loss) on fair value of financial assets designated at fair value through profit or loss

Net gain/(loss) on fair value of financial assets designated at fair value through profit or loss relates to holdings in US Treasury Bills and includes all realised and unrealised fair value changes.

## 3. Significant accounting policies (continued)

### (H) Net gain in derivative financial instruments

Net gain on derivative financial instruments relates to the fair value movements on total return swaps held by the Company and includes realised and unrealised fair value changes.

### (I) Net (loss)/gain on fair value of financial liabilities designated at fair value through profit or loss

Net (loss)/gain on fair value of financial liabilities designated at fair value through profit or loss relates to Certificates issued and includes all realised and unrealised fair value change.

### (J) Net swap income/(expense) - total return swaps

Net swap income/(expense) relates to net swap expense and income on total return swaps held by the Company.

### (K) Tax on profit on ordinary activities

Tax on profit on ordinary activities is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity consistent with the accounting for the item to which it is related.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable to the Company's activities enacted or substantively enacted at the statement of financial position date, and adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (L) Other income and expenses

All income and expenses are accounted for on an accruals basis.

### (M) Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The Chief operating decision maker (CODM) of the operating segment is the Board. The CODM is responsible for the Company's entire Series. The Company is a special purpose vehicle whose principal activities are the issuance of Certificates and investment in US Treasury Bills. The Board of Directors believe that each Series can be treated as a segment as the return on each Series is linked to a different commodity index.

## 4. Net gain/(loss) in fair value of financial assets designated at fair value through profit or loss

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Fair value gain/(loss) on Treasury Bills designated as financial assets at fair value through profit or loss (note 15) | 29,940 | (214,246) |
| | 29,940 | (214,246) |

## 5. Net (loss)/gain in fair value of financial liabilities designated at fair value through profit or loss

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Fair value (loss)/gain financial liabilities designated as financial assets at fair value through profit or loss (note 16) | (978,216) | 29,983,932 |
| | (978,216) | 29,983,932 |

## 6. Net gain on derivative instruments

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Unrealised fair value movement - total return swaps | 363,395 | 47,499 |
| | 363,395 | 47,499 |

## 7. Net swap income/(expense) – total return swaps

| Series name | Description | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|---|
| Series 1 | Agriculture Total Return Index Linked Certificates | 3,666,764 | (7,195,992) |
| Series 2 | S&P GSCI Total Return Index Linked Certificates | (28,280) | (480,089) |
| Series 3 | Coffee Total Return Index Linked Certificates | (274,453) | (24,326) |
| Series 4 | Corn Total Return Index Linked Certificates | 447,721 | 1,371,886 |
| Series 5 | Cotton Total Return Index Linked Certificates | (28,443) | (3,328,773) |
| Series 6 | Crude Total Return Index Linked Certificates | (109,259) | 357,475 |
| Series 7 | Energy Total Return Index Linked Certificates | (199,966) | (37,432) |
| Series 8 | Non Energy Total Return Index Linked Certificates | 10,243 | (113,474) |
| Series 9 | Gold Total Return Index Linked Certificates | 1,170,104 | (1,473,562) |
| Series 10 | Grains Total Return Index Linked Certificates | (307) | (1,651,145) |
| Series 11 | Industrial Metals Total Return Index Linked Certificates | (660,535) | (4,091,532) |
| Series 12 | Livestock Total Return Index Linked Certificates | (30,973) | 1,381 |
| Series 13 | Natural Gas Total Return Index Linked Certificates | (137,536) | (753,976) |
| Series 14 | Petroleum Total Return Index Linked Certificates | (328,242) | 41,735 |
| Series 15 | Precious Metals Total Return Index Linked Certificates | 151,435 | 3,199,667 |
| Series 16 | Silver Total Return Index Linked Certificates | 206,666 | (484,985) |
| Series 17 | Softs Total Return Index Linked Certificates | (92,448) | (2,833,004) |
| Series 18 | Soybeans Total Return Index Linked Certificates | 60,200 | (185,951) |
| Series 19 | Sugar Total Return Index Linked Certificates | (293,079) | (285,110) |
| Series 20 | Wheat Total Return Index Linked Certificates | 1,696,401 | (5,488,333) |
| Series 21 | Light Energy Total Return Index Linked Certificates | (382,479) | (705,784) |
| Series 22 | Ultra-Light Energy Total Return Index Linked Certificates | 92,234 | (346,838) |
| Series 23 | Enhanced Oil Total Return Index Linked Certificates | (3,784,450) | (2,641,883) |
| Series 24 | Aluminium Total Return Index Linked Certificates | (44,579) | (192,992) |
| Series 25 | Copper Total Return Index Linked Certificates | 87,061 | (844,587) |
| Series 26 | Zinc Total Return Index Linked Certificates | 5,741 | (157,204) |
| Series 27 | Nickel Total Return Index Linked Certificates | (34,785) | (245,473) |
| Series 28 | Brent Crude Oil Enhanced Total Return Index Linked Certificates | 378,046 | - |
| | | 1,542,802 | (28,590,301) |

## 8. Other income

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Bank interest | 4,532 | 6,850 |
| Foreign exchange gain | 1,667 | - |
| Corporate benefit | 633 | - |
| | 6,832 | 6,850 |

## 9. Other expenses

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Arranger fees | (1,063,794) | (1,382,528) |
| Foreign exchange loss | - | (1,960) |
| | (1,063,794) | (1,384,488) |

## 10. Taxation

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Profit on ordinary activities before tax – current tax | 633 | - |
| Current tax at 12.5% | (79) | - |
| Effect of: | | |
| Income taxed at higher rates | (79) | - |
| Current tax charge | (158) | - |

The Company is charged to corporation tax at a rate of 25% (2011: 25%). The Company will continue to be taxed at 25% in accordance with Section 110 of the Taxes Consolidation Act 1997.

## 11. Cash and cash equivalents

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Cash at bank | 2,899,390 | 8,560,579 |
| Cash balances are held with the following banks: | | |
| Wells Fargo Bank, N.A. | 1,638,695 | 5,218,939 |
| Deutsche Bank AG, London Branch | 1,244,253 | 3,281,951 |
| Bank of Ireland | 16,442 | 59,689 |
| | 2,899,390 | 8,560,579 |

Refer to note 21 for credit risk and currency risk disclosures relating to cash and cash equivalents.

## 12. Other receivables

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Other receivables | 1,651,724 | 15,429,662 |
| Swap receivable | 2,792 | - |
| Corporate benefit receivable | 633 | - |
| | 1,655,149 | 15,429,662 |

Other receivables include:

- Certificates issued on 31 December 2012 which were settled after the year end, amounting to US$1,651,724 (2011: Nil); and
- US Treasury Bills sold on 31 December 2012 which were settled after the year end amounting to Nil (2011: US$15,429,662).

All receivables are current since collection is expected in one year or less.

Refer to note 21 for credit risk and currency risk disclosures relating to other receivables.

## 13. Other payables

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Other payables | 2,709,415 | 23,252,069 |
| Arranger fees payable | 83,840 | 82,101 |
| Corporation tax payable | 158 | - |
| | 2,793,413 | 23,334,170 |

Other payables include:

- Certificates redeemed on 31 December 2012 which were settled after the year end, amounting to Nil (2011: US$15,236,619).
- US Treasury Bills purchased on 31 December 2012 which were settled after the year end amounting to US$1,517,938 (2011: US$4,742,975).
- Payable to Swap Counterparty on 31 December 2012 amounting to US$1,191,477 (2011: US$3,161,343).
- Payable to Wells Fargo on 31 December 2012 amounting to Nil (2011: US$111,132).

All other payables are current since payment is due within one year or less.

Refer to note 21 for credit risk and currency risk disclosures relating to other payables.

## 14. Segment reporting

The split of financial assets designated at fair value through profit or loss, financial liabilities designated at fair value through profit or loss and derivative financial instruments by Series are shown in notes 15, 16 and 17 to the financial statements respectively. All of the financial assets designated at fair value through profit or loss consist of US Treasury Bills. Details of the fair value movement by Series and the year end unit price by Series are included in note 16 which are the key measures of performance for each Series. The split of assets, liabilities and return by Series is prepared on a consistent basis with the measurement and recognition principles of IFRSs. Cash and cash equivalents, other receivables and other payables at 31 December 2012 have not been split by Series. The Company is domiciled in Ireland.

Each Series is structured to generate fair value gains on the Certificates which are linked to the return on the respective underlying index in accordance with the Series Prospectus. As such the Directors deem all other profit and loss movements to be immaterial to the Series and have not included further disclosures. The Certificates of each Series are listed on the Irish Stock Exchange and are available for purchase at the request of the Authorised Participants or the Company. The geographical location of the T-bills is the United States. The Company has no assets classified as non-current assets. There were no changes in the reportable segments during the year. There were no transactions between reportable segments during the year.

## 15. Financial assets designated at fair value through profit or loss

| Series name | Description | Maturity date | Nominal 31 December 2012 US$ | Fair value 31 December 2012 US$ | Nominal 31 December 2011 US$ | Fair value 31 December 2011 US$ |
|---|---|---|---|---|---|---|
| Series 1 | US Treasury Bills | 2013 | 12,389,000 | 12,388,492 | 34,975,000 | 34,974,669 |
| Series 2 | US Treasury Bills | 2013 | 5,405,000 | 5,404,778 | 6,533,000 | 6,532,938 |
| Series 3 | US Treasury Bills | 2013 | - | - | 1,021,000 | 1,020,990 |
| Series 4 | US Treasury Bills | 2013 | 1,014,000 | 1,013,959 | 1,345,000 | 1,344,987 |
| Series 5 | US Treasury Bills | 2013 | - | - | 700,000 | 699,993 |
| Series 6 | US Treasury Bills | 2013 | - | - | 898,000 | 897,992 |
| Series 7 | US Treasury Bills | 2013 | 26,592,000 | 26,590,910 | 7,334,000 | 7,333,931 |
| Series 8 | US Treasury Bills | 2013 | - | - | 808,000 | 807,992 |
| Series 9 | US Treasury Bills | 2013 | 43,609,000 | 43,607,213 | 21,969,000 | 21,968,792 |
| Series 10 | US Treasury Bills | 2013 | 860,000 | 859,965 | 2,507,000 | 2,506,976 |
| Series 11 | US Treasury Bills | 2013 | 45,681,000 | 45,679,127 | 8,452,000 | 8,451,920 |
| Series 12 | US Treasury Bills | 2013 | - | - | 486,000 | 485,995 |
| Series 13 | US Treasury Bills | 2013 | 701,000 | 700,971 | 965,000 | 964,991 |
| Series 14 | US Treasury Bills | 2013 | - | - | 579,000 | 578,995 |
| Series 15 | US Treasury Bills | 2013 | 32,949,000 | 32,947,649 | 16,421,000 | 16,420,845 |
| Series 16 | US Treasury Bills | 2013 | 2,916,000 | 2,915,880 | 1,728,000 | 1,727,984 |
| Series 17 | US Treasury Bills | 2013 | 400,000 | 399,984 | 1,541,000 | 1,540,985 |
| Series 18 | US Treasury Bills | 2013 | 837,000 | 836,966 | 501,000 | 500,995 |
| Series 19 | US Treasury Bills | 2013 | 3,191,000 | 3,190,869 | 1,943,000 | 1,942,982 |
| Series 20 | US Treasury Bills | 2013 | 1,983,000 | 1,982,919 | 33,352,000 | 33,351,691 |
| Series 21 | US Treasury Bills | 2013 | 9,223,000 | 9,222,625 | 8,663,000 | 8,662,919 |
| Series 22 | US Treasury Bills | 2013 | - | - | 3,618,000 | 3,617,966 |
| Series 23 | US Treasury Bills | 2013 | 10,073,000 | 10,072,587 | 25,244,000 | 25,243,761 |

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

| Series name | Description | Maturity date | Nominal 31 December 2012 US$ | Fair value 31 December 2012 US$ | Nominal 31 December 2011 US$ | Fair value 31 December 2011 US$ |
|---|---|---|---|---|---|---|
| Series 24 | US Treasury Bills | 2013 | 393,000 | 392,984 | 486,000 | 485,995 |
| Series 25 | US Treasury Bills | 2013 | 3,402,000 | 3,401,864 | 3,285,000 | 3,284,969 |
| Series 26 | US Treasury Bills | 2013 | - | - | 387,000 | 386,996 |
| Series 27 | US Treasury Bills | 2013 | - | - | 393,000 | 392,996 |
| Series 28 | US Treasury Bills | 2013 | 240,000 | 239,990 | - | - |
| | | | 201,858,000 | 201,849,732 | 186,134,000 | 186,132,245 |

As at 31 December 2012, US Treasury Bills with a par value of US$201,126,000 (2011: US$184,298,000) were held by Wells Fargo, US$586,000 (2011: US$1,534,000) were held by Goldman Sachs and US$146,000 (2011: US$302,000) were held by Morgan Stanley as collateral.

The US Treasury Bills have upon initial recognition been designated at fair value through profit or loss when the Company holds related derivatives at fair value through profit or loss, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise. The US Treasury Bills of each Series are held in separate custodian accounts as collateral for Certificates issued by the Company.

The carrying value of the assets of the Company represents their maximum exposure to the credit risk. The credit risk is eventually transferred to the swap counterparty or the Certificate holders.

Refer to note 21 for credit risk and currency risk disclosures relating to US Treasury Bills.

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| *Financial assets reconciliation:* | | |
| At start of year | 186,132,245 | 262,362,300 |
| Additions during the year * | 1,100,446,997 | 1,554,122,460 |
| Disposals during the year** | (1,084,759,450) | (1,630,138,269) |
| Unrealised fair value movement | 29,940 | (214,246) |
| At end of the year | 201,849,732 | 186,132,245 |

* Amount includes US$1,517,938 relating to US Treasury Bills purchased on 31 December 2012 but settled after the year end (2011: US$4,742,975).

** Amount includes Nil relating to US Treasury Bills sold on 31 December 2012 but settled after the year end (2011: US$15,429,662).

| Maturity analysis | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Less than 1 year | 201,849,732 | 186,132,245 |
| 1-2 years | - | - |
| 2-5 years | - | - |
| Over 5 years | - | - |
| | 201,849,732 | 186,132,245 |

The financial assets are secured in favour of Deutsche Trustee Company Limited for the benefit of itself and the Certificate holders.

## 16. Financial liabilities designated at fair value through profit or loss

| 2012 series name | Description | Units outstanding 31 December 2012 | Nav per unit 31 December 2012 US$ | Fair value 31 December 2012 US$ | Fair value movement 31 December 2012 US$ |
|---|---|---|---|---|---|
| Series 1 | Agriculture Total Return Index Linked Certificates | 173,676 | 71.49 | 12,415,827 | 2,647,833 |
| Series 2 | S&P GSCI Total Return Index Linked Certificates | 114,580 | 47.21 | 5,409,400 | (23,533) |
| Series 3 | Coffee Total Return Index Linked Certificates | - | - | - | (274,728) |
| Series 4 | Corn Total Return Index Linked Certificates | 56,800 | 18.10 | 1,028,072 | 446,178 |
| Series 5 | Cotton Total Return Index Linked Certificates | - | - | - | (37,158) |
| Series 6 | Crude Total Return Index Linked Certificates | - | - | - | (104,406) |
| Series 7 | Energy Total Return Index Linked Certificates | 256,572 | 103.62 | 26,584,806 | (186,642) |
| Series 8 | Non Energy Total Return Index Linked Certificates | - | - | - | 6,138 |
| Series 9 | Gold Total Return Index Linked Certificates | 511,078 | 88.76 | 45,364,648 | 1,525,512 |
| Series 10 | Grains Total Return Index Linked Certificates | 17,995 | 48.29 | 868,894 | (11,038) |
| Series 11 | Industrial Metals Total Return Index Linked Certificates | 302,061 | 151.09 | 45,639,522 | (870,170) |
| Series 12 | Livestock Total Return Index Linked Certificates | - | - | - | (24,020) |
| Series 13 | Natural Gas Total Return Index Linked Certificates | 1,230,959 | 0.56 | 691,757 | (102,496) |
| Series 14 | Petroleum Total Return Index Linked Certificates | - | - | - | (328,421) |
| Series 15 | Precious Metals Total Return Index Linked Certificates | 1,597,412 | 20.98 | 33,520,540 | 359,555 |
| Series 16 | Silver Total Return Index Linked Certificates | 27,613 | 106.52 | 2,941,213 | 180,964 |
| Series 17 | Softs Total Return Index Linked Certificates | 4,744 | 85.65 | 406,308 | (102,845) |
| Series 18 | Soybeans Total Return Index Linked Certificates | 19,672 | 42.60 | 837,941 | 54,681 |
| Series 19 | Sugar Total Return Index Linked Certificates | 148,939 | 21.97 | 3,272,647 | (231,266) |
| Series 20 | Wheat Total Return Index Linked Certificates | 101,908 | 19.62 | 1,999,323 | 1,629,653 |
| Series 21 | Light Energy Total Return Index Linked Certificates | 274,629 | 33.62 | 9,231,716 | (390,236) |
| Series 22 | Ultra-Light Energy Total Return Index Linked Certificates | - | - | - | 76,546 |
| Series 23 | Enhanced Oil Total Return Index Linked Certificates | 62,228 | 163.09 | 10,148,801 | (3,588,815) |
| Series 24 | Aluminium Total Return Index Linked Certificates | 5,432 | 73.04 | 396,763 | (49,604) |
| Series 25 | Copper Total Return Index Linked Certificates | 74,343 | 46.19 | 3,433,958 | 53,646 |
| Series 26 | Zinc Total Return Index Linked Certificates | - | - | - | (1,990) |
| Series 27 | Nickel Total Return Index Linked Certificates | - | - | - | (52,799) |
| Series 28 | Brent Crude Oil Enhanced Total Return Index Linked Certificates | 1,450 | 169.89 | 246,337 | 377,677 |
| | | 4,982,091 | | 204,438,473 | 978,216 |

| 2011 series name | Description | Units outstanding 31 December 2011 | Nav per unit 31 December 2011 US$ | Fair value 31 December 2011 US$ | Fair value movement 31 December 2011 US$ |
|---|---|---|---|---|---|
| Series 1 | Agriculture Total Return Index Linked Certificates | 519,096 | 67.78 | 35,186,293 | (7,107,534) |
| Series 2 | S&P GSCI Total Return Index Linked Certificates | 137,215 | 47.67 | 6,540,884 | (527,335) |
| Series 3 | Coffee Total Return Index Linked Certificates | 6,616 | 156.44 | 1,034,991 | (47,529) |
| Series 4 | Corn Total Return Index Linked Certificates | 92,344 | 15.34 | 1,416,857 | 1,104,889 |
| Series 5 | Cotton Total Return Index Linked Certificates | 21,691 | 32.95 | 714,706 | (3,435,674) |
| Series 6 | Crude Total Return Index Linked Certificates | 6,285 | 143.13 | 899,551 | (117,671) |
| Series 7 | Energy Total Return Index Linked Certificates | 68,985 | 106.02 | 7,313,692 | (141,387) |
| Series 8 | Non Energy Total Return Index Linked Certificates | 32,969 | 24.85 | 819,229 | (111,820) |
| Series 9 | Gold Total Return Index Linked Certificates | 260,531 | 84.47 | 22,006,061 | (1,462,804) |
| Series 10 | Grains Total Return Index Linked Certificates | 60,253 | 41.92 | 2,525,947 | (1,784,907) |
| Series 11 | Industrial Metals Total Return Index Linked Certificates | 57,073 | 150.91 | 8,613,031 | (4,334,508) |
| Series 12 | Livestock Total Return Index Linked Certificates | 22,720 | 21.83 | 495,867 | (9,538) |
| Series 13 | Natural Gas Total Return Index Linked Certificates | 1,222,997 | 0.76 | 930,632 | (863,415) |
| Series 14 | Petroleum Total Return Index Linked Certificates | 24,333 | 24.09 | 586,279 | 36,114 |
| Series 15 | Precious Metals Total Return Index Linked Certificates | 826,583 | 20.18 | 16,684,172 | 2,798,559 |
| Series 16 | Silver Total Return Index Linked Certificates | 17,714 | 100.37 | 1,777,894 | (472,648) |
| Series 17 | Softs Total Return Index Linked Certificates | 14,853 | 106.13 | 1,576,411 | (2,515,998) |
| Series 18 | Soybeans Total Return Index Linked Certificates | 14,678 | 34.58 | 507,584 | (201,878) |
| Series 19 | Sugar Total Return Index Linked Certificates | 76,941 | 25.50 | 1,961,803 | (48,658) |
| Series 20 | Wheat Total Return Index Linked Certificates | 1,863,112 | 18.02 | 33,569,497 | (5,014,601) |
| Series 21 | Light Energy Total Return Index Linked Certificates | 260,181 | 33.37 | 8,682,364 | (789,818) |
| Series 22 | Ultra-Light Energy Total Return Index Linked Certificates | 123,161 | 29.52 | 3,635,875 | (366,425) |
| Series 23 | Enhanced Oil Total Return Index Linked Certificates | 133,249 | 188.39 | 25,103,247 | (3,079,667) |
| Series 24 | Aluminium Total Return Index Linked Certificates | 6,532 | 76.45 | 499,373 | (200,043) |
| Series 25 | Copper Total Return Index Linked Certificates | 74,683 | 44.91 | 3,354,352 | (859,545) |
| Series 26 | Zinc Total Return Index Linked Certificates | 4,007 | 99.94 | 400,458 | (169,759) |
| Series 27 | Nickel Total Return Index Linked Certificates | 8,238 | 50.49 | 415,959 | (260,332) |
| | | 5,957,040 | | 187,253,009 | (29,983,932) |

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

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| *Financial liabilities reconciliation:* | | |
| At start of year | 187,253,009 | 269,742,575 |
| Issued during the year * | 238,477,883 | 374,917,268 |
| Redemptions during the year* | (222,270,635) | (427,422,902) |
| Unrealised fair value movement in liability | 978,216 | (29,983,932) |
| At end of the year | 204,438,473 | 187,253,009 |

* Amount includes US$1,651,724 (2011: Nil) relating to Certificates issued on 31 December 2012 which were settled after the year end. It also includes US$15,236,619 relating to Certificates redeemed on 31 December 2011 which were settled in 2012.

| Maturity analysis | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Less than 1 year | 204,438,473 | 187,253,009 |
| 1-2 years | - | - |
| 2-5 years | - | - |
| Over 5 years | - | - |
| | 204,438,473 | 187,253,009 |

The financial liabilities have been classified as having a maturity of less than 1 year as the Certificates can be redeemed at the option of the Certificate holders. The final maturity date of the Certificates is 20 April 2059.

Certificates issued for a particular Series are designated at fair value through profit and loss when the related US Treasury Bills and derivatives are fair valued or when they contain embedded derivatives that significantly modify cash flows that otherwise would be required to be separated.

The Company's obligations under the Certificates issued and related derivative financial instruments are secured by collateral held as stated in note 15.

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.

The Certificates issued are listed on the Irish stock exchange.

## 17. Derivative financial instruments

### Total return swaps

| Derivative financial assets by counterparty | Fair value 31 December 2012 US$ | Fair value 31 December 2011 US$ |
|---|---|---|
| Goldman Sachs | 667,012 | 384,883 |
| Morgan Stanley | 266,022 | 228,871 |
| Merrill Lynch | 73,881 | 141,923 |
| JP Morgan Chase Bank, N.A | 3,708 | - |
| | 1,010,623 | 755,677 |

| Derivative financial (liabilities) by counterparty | Fair value 31 December 2012 US$ | Fair value 31 December 2011 US$ |
|---|---|---|
| Goldman Sachs | (53,091) | (111,851) |
| Morgan Stanley | (15,050) | (87,920) |
| Merrill Lynch | (45,227) | (20,317) |
| JP Morgan Chase Bank, N.A. | - | (1,731) |
| | (113,368) | (221,819) |

The total notional value of total return swaps outstanding at the year end was US$204,407,180 (2011: US$185,542,901).

## 17. Derivative financial instruments (continued)

### Derivative financial assets

| Series name | Description | Goldman Sachs fair value 31 December 2012 US$ | Goldman Sachs fair value 31 December 2011 US$ | Morgan Stanley fair value 31 December 2012 US$ | Morgan Stanley fair value 31 December 2011 US$ | Merrill Lynch fair value 31 December 2012 US$ | Merrill Lynch fair value 31 December 2011 US$ | JP Morgan chase bank, n.a fair value 31 December 2012 US$ |
|---|---|---|---|---|---|---|---|---|
| Series 1 | Agriculture | 13,271 | 122,645 | 12,040 | 59,728 | 809 | 5,070 | - |
| Series 2 | S&P GSCI Total Return | - | - | 1,507 | - | - | - | - |
| Series 3 | Coffee | - | - | - | 327 | - | 106 | - |
| Series 4 | Corn | - | - | 4,969 | - | 2,368 | 8,736 | - |
| Series 5 | Cotton | - | 8,740 | - | - | - | - | - |
| Series 8 | Non Energy | - | 1,590 | - | 2,632 | - | - | - |
| Series 9 | Gold | 342,508 | 37,410 | 66,716 | - | - | - | - |
| Series 10 | Grains | - | 5,128 | 1,142 | 7,456 | 1,794 | - | - |
| Series 11 | Industrial metals | - | 32,057 | 62,169 | 53,683 | - | 73,235 | - |
| Series 15 | Precious metals | 244,194 | 72,425 | 2,706 | - | 41,164 | 3,794 | - |
| Series 16 | Silver | 6,858 | 12,242 | 11,728 | 31,291 | - | - | - |
| Series 17 | Softs | - | - | - | - | - | 9,785 | - |
| Series 19 | Sugar | 6,744 | - | 48,288 | 3,996 | 22,271 | 10,275 | - |
| Series 20 | Wheat | - | 67,071 | 1,739 | 1,029 | 3,491 | 6,587 | 3,708 |
| Series 21 | Light Energy | 2,763 | 1,503 | 4,781 | 15,514 | - | - | - |
| Series 22 | Ultra Light Energy | - | 9,382 | - | 2,191 | - | - | - |
| Series 23 | Enhanced oil | 49,499 | - | 23,799 | - | - | - | - |
| Series 24 | Aluminium | - | - | - | - | - | 4,421 | - |
| Series 25 | Copper | 1,175 | 6,665 | 24,438 | 33,219 | 1,984 | 19,914 | - |
| Series 26 | Zinc | - | 4,345 | - | 3,428 | - | - | - |
| Series 27 | Nickel | - | 3,680 | - | 14,377 | - | - | - |
| | | 667,012 | 384,883 | 266,022 | 228,871 | 73,881 | 141,923 | 3,708 |

### Derivative financial liabilities

| Series name | Description | Goldman Sachs fair value 31 December 2012 US$ | Goldman Sachs fair value 31 December 2011 US$ | Morgan Stanley fair value 31 December 2012 US$ | Morgan Stanley fair value 31 December 2011 US$ | Merrill Lynch fair value 31 December 2012 US$ | Merrill Lynch fair value 31 December 2011 US$ | JP Morgan chase bank, n.a fair value 31 December 2011 US$ |
|---|---|---|---|---|---|---|---|---|
| Series 2 | S&P GSCI Total Return | - | - | - | (4,381) | (298) | (1,160) | - |
| Series 6 | Crude | - | (1,504) | - | (2,959) | - | (386) | - |
| Series 7 | Energy | (179) | (11,266) | (252) | (12,968) | (468) | (231) | - |
| Series 11 | Industrial Metals | (50,444) | - | - | - | (38,672) | - | - |
| Series 12 | Livestock | - | (155) | - | (525) | - | (6,258) | - |
| Series 13 | Natural Gas | - | - | (11,006) | (29,595) | (4,438) | (11,861) | - |
| Series 14 | Petroleum | - | (498) | - | (304) | - | (421) | - |
| Series 17 | Softs | - | - | - | - | (989) | - | - |
| Series 18 | Soybeans | (1,929) | - | (3,490) | (118) | - | - | - |
| Series 20 | Wheat | - | - | - | - | - | - | (1,731) |
| Series 23 | Enhanced Oil | - | (98,428) | - | (37,070) | - | - | - |
| Series 24 | Aluminium | - | - | (302) | - | (362) | | - |
| Series 28 | Brent Crude Enhanced | (539) | - | - | - | - | - | - |
| | | (53,091) | (111,851) | (15,050) | (87,920) | (45,227) | (20,317) | (1,731) |

## 17. Derivative financial instruments (continued)

The Company enters into a derivative contract for each Series issued either to reduce the mismatch between the amounts payable in respect of the Certificates and return from the US Treasury Bills held as collateral or to mitigate its exposure to market risk (interest rate risk and currency risk) within the Company. Net swap income for the year ended 31 December 2012 is US$1,542,802 (2011: net swap expense of US$28,590,301).

### Swap transaction

The fair value of the derivatives relates to total return swaps.

*Total return swaps*
The Certificates are linked to the relevant Commodity Index by the Issuer entering into total return swaps with the swap counterparties referencing such Commodity Index. Each time Certificates are issued, redeemed or repurchased, corresponding swap transaction(s) will be entered into (or existing swap transaction(s) will be upsized) or terminated (or downsized), as applicable.

## 18. Share capital

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Authorised: | € | € |
| 40,000 ordinary shares of €1 each | 40,000 | 40,000 |
| | | |
| Issued and fully paid: | US$ | US$ |
| 40,000 ordinary shares of €1 each | 54,652 | 54,652 |

As at 31 December 2012, the ordinary share capital of €40,000 held by the following non-beneficial nominees:

| | Year ended 31 December 2012 € | Year ended 31 December 2011 € |
|---|---|---|
| Deutsche International Finance (Ireland) Limited | 39,994 | 39,994 |
| David McGuinness | 1 | 1 |
| Elizabeth Kelly | 1 | 1 |
| Kevin McEvoy | 1 | 1 |
| Eimir McGrath | 1 | 1 |
| Rhys Owens | 1 | 1 |
| Carmel Naughton | 1 | 1 |
| | 40,000 | 40,000 |

## 19. 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 has considered who the ultimate controlling party of the Company is. The Board has 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.

## 20. Related party transactions

Both Directors, Conor Blake and Eimir McGrath, 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 year, the Company incurred a fee of EUR35,000 (2011: EUR35,000) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited. All expenses are settled by the arranger.

The Directors are of the view that there are no other related party transactions requiring disclosure. The Directors received no remuneration from the Company in the year (2011: Nil).

## 21. Financial risk management

Source Commodity Markets Plc (the "Company") is a limited liability company, incorporated in Ireland under the Companies Acts, 1963 to 2012 and has established the T-Bill Secured ETC Programme pursuant to which the Company may, from time to time, issue secured exchange traded commodity linked 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 5,000,000,000.

## 21. Financial risk management (continued)

*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 risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited. Wells Fargo Bank N.A acts as banker, portfolio administrator and custodian for the Company. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Company to transfer the securities might be temporarily impaired.

### 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. The Company's principal financial assets are cash and cash equivalents, other receivables, derivative financial assets 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. The maximum exposure to the credit risk at the reporting date was:

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Cash and cash equivalents | 2,899,390 | 8,560,579 |
| Other receivables | 1,655,149 | 15,429,662 |
| Derivative financial assets | 1,010,623 | 755,677 |
| Financial assets designated at fair value through profit or loss | 201,849,732 | 186,132,245 |
| | 207,414,894 | 210,878,163 |

*Credit quality of financial assets*

| Description | Rating | Year ended 31 December 2012 | | Year ended 31 December 2011 | |
|---|---|---|---|---|---|
| | | % | US$ | % | US$ |
| US Treasury Bills | AAA | 100% | 201,849,732 | 100% | 186,132,245 |
| | | 100% | 201,849,732 | 100% | 186,132,245 |

None of the investments held were past due or defaulted. As disclosed in note 15, the US Treasury Bills are held on a segregated basis by the custodian, Wells Fargo Bank.

*Other receivables*

Other receivables mainly include amount receivable from Certificates issued by the Company prior to year end but settled after the year end. The credit rating and concentration of these US Treasury Bills at the reporting date are disclosed above.

*Cash and cash equivalents*

The Company held cash and cash equivalents of US$2,899,390 as at 31 December 2012 (2011: US$8,560,579) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held, on an unsecured basis, with bank and financial institution counterparties, which are rated by Standard & Poor's as follows:

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|---|---|---|
| Wells Fargo Bank, N.A. | AA- | AA- |
| Deutsche Bank AG, London Branch | A+/A-1 | A+/A-1 |
| Bank of Ireland | B | B |

## 21. Financial risk management (continued)

Credit risk (continued)

*Concentration risk*

The financial instruments held by the Company and concentration risk of each is outlined below:

*Collateral*: Financial assets held by the Company relates to holdings in US Treasury Bills.

*Liabilities*: Financial liabilities held by the Company represent Secured, Limited Recourse Certificates.

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| Financial assets designated at fair value through profit or loss | 201,849,732 | 186,132,245 |
| Financial liabilities designated at fair value through profit or loss | 204,438,473 | 187,253,009 |

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Company's maximum credit risk exposure to derivative instruments as at 31 December 2012 is disclosed in note 17.

The maximum exposure to credit risk from investments at the reporting date by geographic region was:

| | Year ended 31 December 2012 US$ | Year ended 31 December 2011 US$ |
|---|---|---|
| United States | 201,849,732 | 186,132,245 |

Goldman Sachs International, JP Morgan Chase Bank, N.A, Morgan Stanley & Co. International and Merrill Lynch International are the counterparties on all the swap transactions. They are currently rated as follows by Moody's:

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|---|---|---|
| Goldman Sachs International | A-1 | A-1 |
| JP Morgan Chase Bank, N.A | A-1 | A-1 |
| Morgan Stanley & Co. International | A-1+ | A-1 |
| Merrill Lynch International | A-1 | A-1 |

The Directors are therefore satisfied with the current exposure.

### Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The Certificates are linked to the relevant Commodity Index by the Company entering into total return swaps with the swap counterparties referencing such Commodity Index. Market risk embodies the potential for both gains and losses and price risk. The Certificate holders are therefore exposed to the market risk of the assets portfolio. The Company uses short term Treasury Bills and total return swaps to manage its market risk.

*(i) Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The value of the Treasury Bills reflects market conditions and is sensitive to the implied yield of the assets. This risk is offset in part by the funding leg of the commodity swaps, and the Company manages the risk by endeavouring to ensure that the portfolio of Treasury Bills it holds corresponds to the portfolio of Treasury Bills used to construct the yield assumptions used in determining the performance of the commodity indices. The Company does not consider interest rate risk to be significant to the Company as any fluctuation in the value of Treasury Bills as a result of interest rate moves that is not offset by the funding leg of the commodity swaps will be borne by the Certificate holders.

## 21. Financial risk management (continued)

### Market risk (continued)

| 31 December 2012 | Floating rate US$ | Non-interest bearing US$ | Total US$ |
|---|---|---|---|
| Cash and cash equivalents | 2,899,390 | - | 2,899,390 |
| Other receivables | - | 1,655,149 | 1,655,149 |
| Derivative financial assets | - | 1,010,623 | 1,010,623 |
| Financial assets designated at fair value through profit or loss | 201,849,732 | - | 201,849,732 |
| Total assets | 204,749,122 | 2,665,772 | 207,414,894 |
| | | | |
| Other payables | - | 2,793,413 | 2,793,413 |
| Derivative financial liabilities | - | 113,368 | 113,368 |
| Financial liabilities designated at fair value through profit or loss | - | 204,438,473 | 204,438,473 |
| Total liabilities | - | 207,345,254 | 207,345,254 |
| | | | |
| Net exposure | 204,749,122 | (204,679,482) | 69,640 |

| 31 December 2011 | Floating rate US$ | Non-interest bearing US$ | Total US$ |
|---|---|---|---|
| Cash and cash equivalents | 8,560,579 | - | 8,560,579 |
| Other receivables | - | 15,429,662 | 15,429,662 |
| Derivative financial assets | - | 755,677 | 755,677 |
| Financial assets designated at fair value through profit or loss | 186,132,245 | - | 186,132,245 |
| Total assets | 194,692,824 | 16,185,339 | 210,878,163 |
| | | | |
| Other payables | - | 23,334,170 | 23,334,170 |
| Derivative financial liabilities | - | 221,819 | 221,819 |
| Financial liabilities designated at fair value through profit or loss | - | 187,253,009 | 187,253,009 |
| Total liabilities | - | 210,808,998 | 210,808,998 |
| | | | |
| Net exposure | 194,692,824 | (194,623,659) | 69,165 |

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure tables above) at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year in the case of instruments that have floating rates. Since the Company does not hold large sums of cash, cash and cash equivalents have been excluded.

A change of 100 basis points in interest rates at the reporting date would have increased or (decreased) fair value of financial assets issued by the amounts shown below. For variable instruments, this analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

| 2012 | Increase US$ | Decrease US$ |
|---|---|---|
| Financial assets designated at fair value through profit or loss | 2,018,497 | 2,018,497 |
| **2011** | | |
| Financial assets designated at fair value through profit or loss | 1,861,322 | 1,861,322 |

## 21. 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 €40,000 (US$54,652). All other financial assets and financial liabilities are denominated in US Dollars.

*Sensitivity analysis*

The Directors confirm that any movement in foreign exchange currency will not have a material impact on the assets and liabilities of the Company. Hence, no sensitivity analysis is performed.

The following significant exchange rates have been applied during the year.

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| EUR-US$ | 1.3193 | 1.2963 |

*(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 designated at fair value through profit or loss held by the Company will be borne by the Certificate holders.

*Sensitivity analysis*

Any changes in the quoted prices of the financial assets designated at fair value through profit or loss or the fair value of the total return swaps held by the Company would not have any material effect on the equity or statement of comprehensive income of the Company as any fair value fluctuations in the financial assets would be offset by corresponding changes in the fair value of the financial liabilities and as such any changes are ultimately borne by the Certificate holders.

Hence, assuming all other items to be constant, any increase or (decrease) in the market price of the US Treasury Bills at 31 December 2012 would have an equal % increase or (decrease) in the value of Certificates issued.

### Liquidity and cash flow 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 by investing in short term Treasury Bills. The Company will only repay the Certificate holders to the extent that proceeds are available from the Treasury Bills. This means that all substantial risks and rewards associated with the financial assets are ultimately borne by the Certificates holders.

All of the Company's liabilities have a maturity profile of less than one year and therefore, the carrying amount and the gross contractual cash flows are equal to the fair value of each liability as stated in the statement of financial position.

### Accounting classifications and fair values

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are shown as follows:

| | At amortised cost 31 December 2012 US$ | At fair value through profit or loss 31 December 2012 US$ | Designated at fair value through profit or loss 31 December 2012 US$ | Total fair value 31 December 2012 US$ |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | - | 2,899,390 | - | 2,899,390 |
| Other receivables | 1,655,149 | - | - | 1,655,149 |
| Derivative financial assets | - | - | 1,010,623 | 1,010,623 |
| Financial assets designated at fair value through profit or loss | - | - | 201,849,732 | 201,849,732 |
| | 1,655,149 | 2,899,390 | 202,860,355 | 207,414,894 |

## 21. Financial risk management (continued)

Accounting classifications and fair values (continued)

| | At amortised cost 31 December 2012 US$ | At fair value through profit or loss 31 December 2012 US$ | Designated at fair value through profit or loss 31 December 2012 US$ | Total fair value 31 December 2012 US$ |
|---|---|---|---|---|
| Liabilities | | | | |
| Other payables | 2,793,413 | - | - | 2,793,413 |
| Derivative financial liabilities | - | - | 113,368 | 113,368 |
| Financial liabilities designated at fair value through profit or loss | - | - | 204,438,473 | 204,438,473 |
| | 2,793,413 | - | 204,551,841 | 207,345,254 |

| | At amortised cost 31 December 2011 US$ | At fair value through profit or loss 31 December 2011 US$ | Designated at fair value through profit or loss 31 December 2011 US$ | Total fair value 31 December 2011 US$ |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | - | 8,560,579 | - | 8,560,579 |
| Other receivables | 15,429,662 | - | - | 15,429,662 |
| Derivative financial assets | - | - | 755,677 | 755,677 |
| Financial assets designated at fair value through profit or loss | - | - | 186,132,245 | 186,132,245 |
| | 15,429,662 | 8,560,579 | 186,887,922 | 210,878,163 |
| Liabilities | | | | |
| Other payables | 23,334,170 | - | - | 23,334,170 |
| Derivative financial liabilities | - | - | 221,819 | 221,819 |
| Financial liabilities designated at fair value through profit or loss | - | - | 187,253,009 | 187,253,009 |
| | 23,334,170 | - | 187,474,828 | 210,808,998 |

*Fair values hierarchy*

The Company's financial assets, derivative financial instruments 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).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

## 21. Financial risk management (continued)

### Accounting classifications and fair values (continued)

*Fair values hierarchy (continued)*

Fair values of financial assets and financial liabilities that are traded in active markets, Level 1, are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Level 2 prices use widely recognised valuation models for determining the fair value of common and more simple financial instruments such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives, e.g. interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex Level 3 instruments proprietary valuation models are used which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over the counter derivatives and certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

At 31 December 2012 and 2011, the carrying amounts of financial assets, derivative financial instruments and financial liabilities issued by the Company which fair values were determined directly, in full or in part, by reference to published price quotations and determined using valuation techniques are as follows:

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Level 1<br>US$ | Level 2<br>US$ | Level 3<br>US$ | Total<br>US$ |
| Financial assets designated at fair value through profit or loss – | | | | |
| US Treasury Bills | - | 201,849,732 | - | 201,849,732 |
| Financial liabilities designated at fair value through profit or loss – | | | - | |
| Commodity Linked Notes | - | (204,438,473) | - | (204,438,473) |
| Derivative financial assets | - | 1,010,623 | - | 1,010,623 |
| Derivative financial liabilities | - | (113,368) | - | (113,368) |
| | - | (1,691,486) | - | (1,691,486) |

## 21. Financial risk management (continued)

### Accounting classifications and fair values (continued)

*Fair values hierarchy (continued)*

| | 31 December 2011 | | | |
|---|---|---|---|---|
| | Level 1<br>US$ | Level 2<br>US$ | Level 3<br>US$ | Total<br>US$ |
| Financial assets designated at fair value through profit or loss – | | | | |
| US Treasury Bills | - | 186,132,245 | - | 186,132,245 |
| Financial liabilities designated at fair value through profit or loss – | | | | |
| Commodity Linked Notes | - | (187,253,009) | - | (187,253,009) |
| Derivative financial assets | - | 755,677 | - | 755,677 |
| Derivative financial liabilities | - | (221,819) | - | (221,819) |
| | - | (586,906) | - | (586,906) |

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 of financial assets 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 will be borne by the Certificate holders due to the limited recourse nature of the financial liabilities issued by the Company.

The Commodity linked Certificates are exchange traded. As such, the commodity linked Certificates are classified as Level 2 in the fair value hierarchy.

## 22. Capital risk management

The Company views the share capital as its capital. The Company is a special purpose vehicle set up to issue debt for the purpose of making investments as defined under the programme memorandum and in each of the Series memorandum agreements. Share capital of EUR40,000 (US$54,652) was issued in line with Irish Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

## 23. Operating expenses

All costs associated with the Company are paid by Source UK Services Limited, including the corporate administration fee and audit fees amounting to EUR35,000 (2011: EUR35,000) and US$62,898 (2011: US$64,037) respectively.

No director fees were paid during the year (2011: Nil).

*Auditors' remuneration*

| | Year ended<br>31 December<br>2012<br>US$ | Year ended<br>31 December<br>2011<br>US$ |
|---|---|---|
| Statutory audit | 62,898 | 64,037 |
| Tax advisory services | 34,302 | 8,750 |
| | 97,200 | 72,787 |

There were no other assurance services, tax advisory services or other non-audit services performed by PricewaterhouseCoopers Ireland as auditor of the Company.

## 24. Subsequent events

There has been no significant event since the year end up to the date of signing this report that requires disclosure in the financial statements.

## 25. Approval of financial statements

The Board of Directors approved these financial statements on 18 April 2013.

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