source

Source Physical 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
Eimir McGrath (Irish)
Carmel Naughton (Irish)
Adrian Bailie (alternate Director to Carmel Naughton) (appointed on 17 April 2012 and resigned on 24 April 2012)

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

Banker, Principal Paying Agent, Portfolio administrator
Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
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United Kingdom

Administrator & Company Secretary
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Arranger
Source UK Services Limited
14th Floor, One Angel Court
London EC2R 7HJ
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Independent Auditor
PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
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Solicitors & Irish Listing Agent
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Trustee
Deutsche Trustee Company Limited
Winchester House
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United Kingdom

Metal Counterparty & Custodian
JPMorgan Chase Bank, N.A.
125 London Wall
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Registered No: 471344

Director's Report

Annual Report and Audited Financial Statements 2012

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

Principal activities

The Company is a limited liability company, incorporated on 26 May 2009 in Ireland under the Companies Acts 1963 to 2012 and has established the Secured Precious Metals-Linked Certificates Programme (the "Programme") pursuant to which the Company may, from time to time, issue collateralised limited recourse Certificates (the "Certificates"). The aggregate number of Certificates outstanding under the Programme will not at any time exceed 1,000,000,000.

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

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

The Certificates are listed on the Irish Stock Exchange.

Business review and key performance indicators

During the year:

- No new Series were issued;
- the Company made a profit of USD375 (2011: USD375);
  the Company issued USD2,465,461,021
- (2011: USD1,908,926,859) and repaid USD788,014,106 (2011: USD604,610,093) of Certificates;
- the Company's accounts linked to a portfolio of underlying Precious Metals increased due to acquisition of gold, silver, platinum and palladium amounting to USD2,465,461,021 (2011: USD1,908,926,859);
- the Company's interest in accounts linked to a portfolio of underlying Precious Metals reduced due to disposal amounting to USD796,170,364 (2011: USD608,744,951);
- the financial assets at fair value through profit or loss increased by 83% compared to the reporting year ended 31 December 2011; and
- the financial liabilities at fair value through profit or loss increased by 83% compared to the reporting year ended 31 December 2011.

As at 31 December 2012:

- the Company's total certificates' indebtedness was USD4,036,065,372 (2011: USD2,205,106,873); and
- the net assets were USD57,012 (2011: USD56,637).

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).

Changes in directors, secretary and registered office

On 17 April 2012, Adrian Bailie was appointed as alternate Director to Carmel Naughton and on 24 April 2012, he resigned from alternate Director to Carmel Naughton. There has been no change in Directors, secretary or registered office during the year under review.

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. The transactions in relation to the Directors have been disclosed under note 17 to the financial statements.

Risk and uncertainties

The Company is subject to various risks. The principal risks facing the Company are outlined in note 18 to the financial statements.

Subsequent events

All subsequent events are disclosed in note 21 of the financial statements.

Credit events

There were no credit events noted 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") requires the inclusion of a corporate governance statement in the Directors' Report. 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 JP Morgan Chase 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. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. More specifically,

- 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; and
- Accounting bulletins, issued by Deutsche Bank AG, London, being the Banker, Principal Paying Agent, Portfolio Administrator and Trustee and 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.

Director's Report (continued)

Annual Report and Audited Financial Statements 2012

Corporate Governance Statement (contInued)

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. 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 accounts by employing accounting personnel with the appropriate expertise and by providing adequate resources to the financial function. The books of accounts of the Company are maintained at 5 Harbourmaster Place, IFSC Dublin 1, Ireland.

Independent auditor

PricewaterhouseCoopers, Chartered Accountants, in accordance with Section 160(2) of the Companies Act, 1963, have signified their willingness to continue in office.

On behalf of the board

Carmel Naughton
Director

Eimir McGrath
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 prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations as adopted by the EU.

The Company's financial statements are required by law and IFRSs and IFRIC interpretations 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;
- ensure that the financial statements comply with IFRSs; 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 Central Bank of Ireland 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

Carmel Naughton
Director

Eimir McGrath
Director

Date: 18 April 2013

Independent Auditor's Report to the Members of Source Physical Markets Plc

We have audited the financial statements of Source Physical 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 IFRSs 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

Financial Statements of the Company

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$
Net changes in fair value of financial assets designated at fair value through profit or loss	4	162,151,584	(18,148,736)
Net changes in fair value of financial liabilities designated at fair value through profit or loss	5	(153,511,584)	22,566,127
Other expenses	6	(8,645,470)	(4,417,510)
Other income	7	5,970	619
Operating profit before taxation		500	500
Tax on profit on ordinary activities	8	(125)	(125)
Profit for the year		375	375
Increase in net assets attributable to holders of equity shares from operations		375	375

All items dealt with in arriving at the profit for the year ended 31 December 2012 related to continuing operations.

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

Carmel Naughton
Director

Eimir McGrath
Director

Date: 18 April 2013

The accompanying notes to the financial statements on pages 11 to 25 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			
Current assets			
Cash and cash equivalents	9	19,623	43,735
Other receivables	10	19,372,095	4,479,129
Financial assets designated at fair value through profit or loss	12	4,037,060,071	2,205,617,830
Total assets		4,056,451,789	2,210,140,694
Liabilities and equity			
Current liabilities			
Other payables	14	20,329,405	4,977,184
Financial liabilities designated at fair value through profit or loss	13	4,036,065,372	2,205,106,873
Total liabilities		4,056,394,777	2,210,084,057
Shareholder's Funds-Equity			
Share capital	15	55,512	55,512
Revenue reserves		1,500	1,125
Total equity		57,012	56,637
Total liabilities and equity		4,056,451,789	2,210,140,694

On behalf of the board

Carmel Naughton
Director

Eimir McGrath
Director

Date: 18 April 2013

The accompanying notes to the financial statements on pages 11 to 25 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 01 January 2011	55,512	750	56,262
Total comprehensive income for the year			
Profit for the year	-	375	375
Balance as at 31 December 2011	55,512	1,125	56,637
Balance as at 01 January 2012	55,512	1,125	56,637
Total comprehensive income for the year			
Profit for the year	-	375	375
Balance as at 31 December 2012	55,512	1,500	57,012

The accompanying notes to the financial statements on pages 11 to 25 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		500	500
Adjustments for:			
Increase in other receivables		(24,612)	(10,233)
Increase in other payables		483,992	282,533
Fair value movement on financial assets designated at fair value through profit or loss	4	(162,151,584)	18,148,736
Fair value movement on financial liabilities designated at fair value through profit or loss	5	153,511,584	(22,566,127)
Tax paid		(250)	(125)
Net cash used in operating activities		(8,180,370)	(4,144,716)
Cash flows used in investing activities			
Purchase of financial assets designated at fair value through profit or loss	12	(683,306,152)	(313,263,292)
Proceeds from disposal of financial assets designated at fair value through profit or loss	12	118,715,692	42,082,122
Net cash used in investing activities		(564,590,460)	(271,181,170)
Cash flows from financing activities			
Proceeds of financial liabilities designated at fair value through profit or loss	13	683,306,152	313,263,292
Redemption of financial liabilities designated at fair value through profit or loss	13	(110,559,434)	(37,947,264)
Net cash generated from financing activities		572,746,718	275,316,028
Net decrease in cash and cash equivalents		(24,112)	(9,858)
Cash and cash equivalents at start of the year		43,735	53,593
Cash and cash equivalents at end of the year	9	19,623	43,735

Non cash transactions in relation to financial assets and financial liabilities are disclosed in notes 12 and 13.

The accompanying notes to the financial statements on pages 11 to 25 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Source Physical Markets Plc (the "Company"), is a limited liability company, incorporated on 26 May 2009 in Ireland under the Companies Acts, 1963 to 2012 and has established the Secured Precious Metals-Linked Certificates Programme pursuant to which the Company may, from time to time, issue Certificates as set out in the Trust Deed. The aggregate number of Certificates outstanding under the Programme will not at any time exceed 1,000,000,000. The Certificates issued under the Programme will be in a Certificated form and cleared through CREST.

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

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 European Union 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 for the year ended 31 December 2011 presented in these financial statements has been prepared on a consistent basis.

These financial statements have been prepared on a going concern basis.

(B) 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.

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.

2. Basis of preparation (continued)

(B) Changes in accounting policies (continued)

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.

(C) Basis of measurement

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

- 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 are measured at fair value.

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

(D) Functional and presentation currency

The financial statements are presented in USD (US$) which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The financial liabilities designated at fair value through profit or loss are primarily denominated in USD (US$). The Directors of the Company believe that USD (US$) most faithfully represents the economic effects of the underlying transactions, events and conditions.

(E) 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 18.

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) "Financial instruments". 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.

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 is 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.

2. Basis of preparation (continued)

(E) Use of estimates and judgements (continued)

Valuation of financial instruments (continued)

- 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 trade date basis. 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 holding in physical Precious Metals at fair value through profit or loss and debt financial liabilities 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.

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/counterparty, in the case of non-exchange traded instruments, at the statement of financial position date without any deduction for estimated future selling costs.

Fair value measurement principles

Financial assets designated at fair value through profit or loss is priced at the current bid price for the Precious Metals using the London PM market price.

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3. Significant accounting policies (continued)

(B) Financial instruments (continued)

Fair value measurement principles (continued)
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 statement of financial position 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.

(C) 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.

(D) 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.

(E) Share capital

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

(F) Net changes in fair value of financial assets designated at fair value through profit or loss

Net changes in fair value of financial assets designated at fair value through profit or loss relates to movement in prices of Precious Metals and includes all realised and unrealised fair value changes.

(G) Net changes in fair value of financial liabilities designated at fair value through profit or loss

Net changes in 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 changes.

(H) Other income and expenses

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

3. Significant accounting policies (continued)

(I) 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 reporting 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.

(J) 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 has invested in precious metals. 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 precious metal.

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

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Realised gain on disposal of Financial assets designated at fair value through profit or loss	133,253,382	140,353,546
Unrealised fair value movement of Financial assets designated at fair value through profit or loss	28,898,202	(158,502,282)
	162,151,584	(18,148,736)

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

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Realised loss on redemption of Financial liabilities designated at fair value through profit or loss	(123,442,891)	(153,571,266)
Unrealised fair value movement of Financial liabilities designated at fair value through profit or loss	(30,068,693)	176,137,393
	(153,511,584)	22,566,127

6. Other expenses

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Arranger fees	(8,645,470)	(4,407,472)
Other expenses	-	(8,879)
Foreign exchange loss	-	(1,159)
	(8,645,470)	(4,417,510)

7. Other income

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Other income	4,328	97
Foreign exchange gain	1,142	-
Corporate benefit	500	500
Bank interest	-	22
	5,970	619

8. Tax on profit on ordinary activities

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Profit on ordinary activities before tax-current tax	500	500
Current tax at 12.5%	(63)	(63)
Effect of:		
Income taxed at higher rates	(62)	(62)
Current tax charge	(125)	(125)

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.

9. Cash and cash equivalents

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Bank of Ireland	15,078	43,518
Deutsche Bank AG	4,545	217
Cash at bank	19,623	43,735

Cash balances are held with Bank of Ireland (77%) and Deutsche Bank AG, London Branch (23%) as of 31 December 2012.

Refer to note 18 for credit risk and currency risk disclosures relating to cash and cash equivalents.

10. Other receivables

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Certificate receivables*	16,873,438	-
Investment receivables**	2,461,018	4,466,102
Other income receivable	37,139	11,527
Corporate benefit receivable	500	1,500
	19,372,095	4,479,129

* As at 31 December 2012, the issuances of 84,861 Certificates @ US$163.88 each and 18,085 Certificates @ US$164.07 each for Series 1 – Secured Gold-Linked Certificates due 2100 remained unsettled.

** As at 31 December 2012, the disposal of 1,485 units of Gold @ US$1,657.50 each remained unsettled.

Refer to note 18 for credit risk and currency risk disclosures relating to other receivables.

11. Segmental reporting

The split of financial assets designated at fair value through profit or loss and financial liabilities designated at fair value through profit or loss by Series are shown in notes 12 and 13 to the financial statements respectively. All of the financial assets designated at fair value through profit or loss consist of physical Precious Metal holdings. Details of the fair value movement by Series and the year end unit price by Series are included in note 12 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 metals 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 Precious Metals is the United Kingdom. The Company has no assets classified as non-current assets.

11. Segmental reporting (continued)

There were no changes in the reportable segments during the year. There were no transactions between reportable segments during the year.

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

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Precious Metals	4,037,060,071	2,205,617,830
At start of year	2,205,617,830	923,584,658
Cash transactions		
Additions during the year	683,306,152	313,263,292
Disposals during the year	(118,715,692)	(42,082,122)
Non-cash transactions		
Additions during the year	1,782,154,869	1,595,663,567
Disposals during the year	(677,454,672)	(566,662,829)
Realised gain on disposal	133,253,382	140,353,546
Unrealised fair value movement	28,898,202	(158,502,282)
At end of year	4,037,060,071	2,205,617,830

Series name	Units outstanding 31 Dec 2012	Nav per unit 31 Dec 2012	Fair value 31 Dec 2012 US$	Units outstanding 31 Dec 2011	Nav per unit 31 Dec 2011	Fair value 31 Dec 2011 US$
Gold	2,364,069	1,664.00	3,933,810,393	1,394,467	1,531.00	2,134,928,583
Silver	317,608	29.95	9,512,350	149,627	26.16	3,914,249
Platinum	14,584	1,523.00	22,211,028	5,336	1,354.00	7,224,278
Palladium	102,327	699.00	71,526,300	94,525	630.00	59,550,720
			4,037,060,071			2,205,617,830

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

The precious metals have upon initial recognition been designated at fair value through profit or loss.

The precious metals are held as collateral for Certificates issued by the Company.

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 Certificate holders.

Refer to note 18 for credit risk and currency risk disclosures relating to the holding of precious metals.

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

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Secured ETC Index Linked	4,036,065,372	2,205,106,873
At start of year	2,205,106,873	923,356,234
Cash transactions		
Issued during the year	683,306,152	313,263,292
Redemptions during the year	(110,559,434)	(37,947,264)
Non-cash transactions		
Issued during the year	1,782,154,869	1,595,663,567
Redemptions during the year	(677,454,672)	(566,662,829)
Realised loss on redemption	123,442,891	153,571,266
Unrealised fair value movement	30,068,693	(176,137,393)
At end of year	4,036,065,372	2,205,106,873

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

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Series name	Units outstanding 31 Dec 2012	Nav per unit 31 Dec 2012	Fair value 31 Dec 2012 US$	Units outstanding 31 Dec 2011	Nav per unit 31 Dec 2011	Fair value 31 Dec 2011 US$
Series 1 – Secured Gold-Linked Certificates due 2100	23,877,808	164.71	3,932,849,865	14,043,798	151.98	2,134,440,703
Series 2 – Secured Silver-Linked Certificates due 2100	319,641	29.75	9,509,201	150,000	26.09	3,913,050
Series 3 – Secured Platinum-Linked Certificates due 2100	146,771	151.28	22,203,678	53,484	135.02	7,221,524
Series 4 – Secured Palladium-Linked Certificates due 2100	1,029,817	69.43	71,502,628	947,590	62.82	59,531,596
			4,036,065,372			2,205,106,873

Maturity analysis	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Less than 1 year	4,036,065,372	2,205,106,873
1-2 years	-	-
2-5 years	-	-
Over 5 years	-	-
	4,036,065,372	2,205,106,873

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

The Company's obligations under the Certificates issued are secured by financial assets held as stated in note 12.

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

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.

14. Other payables

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Investment payable *	16,873,438	-
Certificates payables**	2,461,018	4,466,102
Fees payable to arranger	994,949	510,957
Corporation tax payable	-	125
	20,329,405	4,977,184

* As at 31 December 2012, the acquisition of 8,400 units of Gold @ US$1,655.50 each and 1,790 units of Gold @ US$1,657.50 each remained unsettled.

** As at 31 December 2012, the redemption of 15,000 Certificates @ US$164.07 each for Series 1 - Secured Gold-Linked Certificates due 2,100 remained unsettled.

Refer to note 18 for currency risk disclosures relating to other payables.

15. Share capital

Authorised:	Year ended 31 Dec 2012	Year ended 31 Dec 2011
40,000 ordinary shares of €1 each	40,000	40,000
Issued and fully paid up:	US$	US$
40,000 ordinary shares of €1 each	55,512	55,512

	Year ended 31 Dec 2012 EUR	Year ended 31 Dec 2011 EUR
Deutsche International Finance (Ireland) Limited	39,994	39,994
Louise Delaney	1	1
Elizabeth Kelly	1	1
Kevin McEvoy	1	1
David McGuinness	1	1
Rhys Owens	1	1
Martin Schwobel	1	1
	40,000	40,000

16. Ownership of company

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

17. Related party transactions

Both Directors, Carmel Naughton 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 EUR22,500 (31 December 2011: EUR22,500) 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 disclosures. The Directors received no remuneration from the Company in the year ended 31 December 2012 (31 December 2011: Nil).

18. Financial risk management

Risk management framework

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

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

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

Operational risk

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

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in note 1. All management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited. Deutsche Bank AG, London Branch acts as the Company's Portfolio administrator and principal paying agent.

Credit risk

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

The maximum exposure to the credit risk at the reporting date was:

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Cash and cash equivalents	19,623	43,735
Other receivables	19,372,095	4,479,129
Financial assets designated at fair value through profit or loss	4,037,060,071	2,205,617,830
	4,056,451,789	2,210,140,694

Credit quality of financial assets

The financial assets consist of physical holding of precious metals. The Standard & Poor's credit rating of JP Morgan is A (2011: AA-). As the financial assets are linked to the physical precious metals, the Company has a minimum credit risk attached to the assets in the allocated account. However JP Morgan has no obligation to insure the precious metals credited to the unallocated account against any risks. At 31 December 2012 the balances on the unallocated accounts were as follows:

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Gold unallocated account	422,671	58,178
Silver unallocated account	8,469	-
Platinum unallocated account	96,940	-
Palladium unallocated account	54,620	-
	582,700	58,178

The precious metal are secured in favour of Deutsche Trustee Company Limited for the benefit of the Company and the Certificate holders.

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 precious metals.
- Liabilities: Financial liabilities held by the Company represent Secured, Limited Recourse Certificates.

18. Financial risk management (continued)

Concentration risk (continued)

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Financial assets designated at fair value through profit or loss	4,037,060,071	2,205,617,830
Financial liabilities designated at fair value through profit or loss	(4,036,065,372)	(2,205,106,873)

Other receivables

Other receivables mainly include income receivable from Certificates issued by the Company before the year end but settled after year end and income receivable from disposal of Gold by the Company before the year end but settled after year end.

Cash and cash equivalents

The Company held cash and cash equivalents of US$19,623 as at 31 December 2012 (2011: US$43,735) 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 as follows:

Rating	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Deutsche Bank AG, London Branch	A+/A-1	A+/A-1
Bank of Ireland	BB+/B	BB+/B

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

	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
United Kingdom	4,037,060,071	2,205,617,830
	4,037,060,071	2,205,617,830

Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the Company does not receive enough interest from the financial assets to secure interest payments on the financial liabilities. The Certificates issued and the financial assets do not bear any interest. There is some interest rate risk associated with cash held at bank. However, it is not considered significant, therefore no sensitivity analysis has been included.

Sensitivity analysis

Given the Company is not exposed to significant interest rate risk, no sensitivity analysis has been performed.

(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 limited to share capital issued of EUR40,000 (US$55,512) and cash and cash equivalents with Bank of Ireland of US$15,078 (EUR11,429). All other financial assets and financial liabilities are denominated in US$.

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. Therefore no sensitivity analysis has been included.

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

	31 December 2012	31 December 2011
EUR - USD	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 at fair value through profit or loss held by the Company will be borne by the Certificate holders.

18. Financial risk management (continued)

Sensitivity analysis

Any fluctuation in the price of precious metals will impact on the value attributable to the Certificate holders.

However any changes in the quoted prices of the financial assets at fair value through profit or loss would not have any effect on the equity or net profit or loss of the Company as any fair value fluctuations in precious metals prices are ultimately borne by the Certificate holders.

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

Liquidity risk

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

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

The contractual maturity profile of financial liabilities as 31 December 2012 is as follows:

	Carrying amount US$	Gross contractual cash Flows US$	Less than 1 year US$	1 to 2 years US$	2 to 5 years US$	More than 5 years US$
Financial liabilities	(4,036,065,372)	(4,036,065,372)	(4,036,065,372)	-	-	-
Other payables	(20,329,405)	(20,329,405)	(20,329,405)	-	-	-
	(4,056,394,777)	(4,056,394,777)	(4,056,394,777)	-	-	-

The carrying amount and the gross contractual cashflows are equal to the fair value of each liability as stated in the statement of financial position.

The contractual maturity profile of financial liabilities as 31 December 2011 was as follows:

	Carrying amount US$	Gross contractual cash Flows US$	Less than 1 year US$	1 to 2 years US$	2 to 5 years US$	More than 5 years US$
Financial liabilities	(2,205,106,873)	(2,205,106,873)	((2,205,106,873)	-	-	-
Other payables	(4,977,184)	(4,977,184)	(4,977,184)	-	-	-
	(2,210,084,057)	(2,210,084,057)	(2,210,084,057)	-	-	-

18. Financial risk management (continued)

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	19,623	-	-	19,623
Other receivables	19,372,095	-	-	19,372,095
Financial assets designated at fair value through profit or loss	-	-	4,037,060,071	4,037,060,071
	19,391,718	-	4,037,060,071	4,056,451,789
Liabilities				
Other payables	20,329,405	-	-	20,329,405
Financial liabilities designated at fair value through profit or loss	-	-	4,036,065,372	4,036,065,372
	20,329,405	-	4,036,065,372	4,056,394,777

	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	43,735	-	-	43,735
Other receivables	4,479,129	-	-	4,479,129
Financial assets designated at fair value through profit or loss	-	-	2,205,617,830	2,205,617,830
	4,522,864	-	2,205,617,830	2,210,140,694
Liabilities				
Other payables	4,977,184	-	-	4,977,184
Financial liabilities designated at fair value through profit or loss	-	-	2,205,106,873	2,205,106,873
	4,977,184	-	2,205,106,873	2,210,084,057

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.

18. Financial risk management (continued)

Fair values hierarchy (continued)

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.

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 uses 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 year end, the carrying amounts of financial assets 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 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets designated at fair value through profit or loss	4,037,060,071	-	-	4,037,060,071
Financial liabilities designated at fair value through profit or loss	-	(4,036,065,372)	-	(4,036,065,372)
	4,037,060,071	(4,037,065,372)	-	994,699

18. Financial risk management (continued)

Fair values hierarchy (continued)

	31 December 2011			
	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets designated at fair value through profit or loss	2,205,617,830	-	-	2,205,617,830
Financial liabilities designated at fair value through profit or loss	-	(2,205,106,873)	-	(2,205,106,873)
	2,205,617,830	(2,205,106,873)	-	510,957

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

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

The valuation inputs for these financial assets are based on quoted market prices in active markets and resulted in the reclassification to Level 1. Comparative classification has been restated.

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

19. Capital risk management

The Company is a special purpose vehicle set up to issue Certificates for the purpose of making investments as defined under the programme memorandum.

Share capital of EUR40,000 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.

20. Operating expenses

All costs associated with the Company are borne by Source UK Services Limited, London including the corporate administration fee of EUR22,500 (2011: EUR22,500) and audit fees of EUR23,070 (2011: EUR19,970) respectively.

Tax amounting to US$125 (2011: US$125) are also settled by the Arranger.

As at 31 December 2012, the amount payable to the Arranger is US$994,699 (31 December 2011: US$510,957).

Auditors' remuneration	Year ended 31 Dec 2012 US$	Year ended 31 Dec 2011 US$
Statutory audit	30,435	25,888
Tax advisory services	9,895	17,760
	40,330	43,648

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

No Director fees were paid during the year.

21. Subsequent events

On 5 April 2013 Wells Fargo bank, N.A, was appointed as account bank and Portfolio administrator of the Company in replacement of Deutsche Bank AG London.

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

22. Approval of financial statements

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

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