

**db ETC Plc**

**Directors' report and audited financial statements**

**For the year ended 31 December 2015**

**Registered number 103781**

## **db ETC Plc**

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**Directors' and other information**

**Directors**

Elian Corporate Director 3 Limited  
Elian Corporate Director 4 Limited  
Carl McConnell

**Registered Office**

St Paul's Gate  
New Street  
St Helier  
Jersey JE4 8ZB  
Channel Islands

**Administrator, Determination Agent &  
Company Secretary**

Deutsche International Corporate Services Limited  
St Paul's Gate  
New Street  
St Helier  
Jersey JE4 8ZB  
Channel Islands

**Authorised Participant, Arranger,  
Issuing and Paying Agent, Programme  
Counterparty, Custodian and Metal Agent**

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

**Note Trustee**

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

**Independent Auditor**

KPMG Channel Islands Limited  
Chartered Accountants and Recognized Auditor  
37 Esplanade  
St Helier  
Jersey JE4 8WQ  
Channel Islands

**Directors' report**

The directors present the directors' report and audited financial statements of db ETC Plc (the "Company") for the year ended 31 December 2015.

**Principal activities and business review**

The Company was incorporated on 6 August 2009 as a public limited company in Jersey under the Companies (Jersey) Law 1991 with company number 103781.

The principal activity of the Company, under the Secured ETC Precious Metal Securities Programme (the "Programme"), is to issue from time to time Series of secured precious metal linked securities ("ETC Securities"), where recourse in respect of each Series is limited to the proceeds of enforcement of the security over each respective Series' assets.

With respect to each Series (each a "Series") of ETC Securities, the Company's main assets are its holdings of underlying metal and its interests under the related Balancing Agreement. The obligations of the Company under the ETC Securities of a Series will be secured in favour of the Trustee by an assignment by way of security of all the Company's rights, title, interest and benefit present and future against the Secured Account Custodian, the Subscription Account Custodian and any Sub-Custodian relating to the underlying metal in respect of this Series of ETC Securities.

The net proceeds from the issue of a Series of ETC Securities are used to purchase an amount of metal which, in accordance with the Custody Agreement for secured accounts will, to the extent possible, be allocated to physical metal bars or other metal shapes and be held in the secured allocated account. Any remaining metal is held in the secured unallocated account. Such underlying metal is used to meet the Company's obligations under the relevant Series of ETC Securities and the relevant Balancing Agreement.

General information regarding the Company is further described in note 1 to the financial statements.

The ETC Securities are listed on various exchanges, including London, Switzerland, Milan and Frankfurt.

**Key performance indicators**

The Company is a Special Purpose Vehicle (the "SPV") and its principal activity is the issue of secured precious metal linked securities. The best benchmark is the price of the relevant metal in which the proceeds of the ETC Securities are invested in. For all Series, the performance closely followed the movement in the metal linked to the Series.

The directors confirm that the key performance indicators as disclosed below, are those that are used to assess the performance of the Company.

During the year:

- the Company made no profit (2014: EUR Nil);
- the net loss on inventories held at fair value less costs to sell amounted to EUR 193,136,123 (2014: net gain of EUR 86,919,946) as disclosed in note 4;
- the net gain on financial liabilities designated at fair value through profit or loss amounted to EUR 193,136,123 (2014: net loss of EUR 86,919,946) as disclosed in note 5;
- there were new subscriptions in the following existing Series of ETC Securities:
  - Series 1 db Physical Gold ETC
  - Series 2 db Physical Gold Euro Hedged ETC
  - Series 3 db Physical Silver ETC
  - Series 4 db Physical Silver Euro Hedged ETC
  - Series 5 db Physical Platinum ETC
  - Series 6 db Physical Platinum Euro Hedged ETC
  - Series 7 db Physical Palladium ETC
  - Series 8 db Physical Palladium Euro Hedged ETC
  - Series 9 db Physical Gold ETC (EUR)
  - Series 16 db Physical Gold CHF Hedged ETC
- the following Series of ETC Securities were fully redeemed:
  - Series 14 db Physical Silver GBP Hedged ETC
- the following Series of ETC Securities were partially redeemed:
  - Series 1 db Physical Gold ETC
  - Series 2 db Physical Gold Euro Hedged ETC
  - Series 4 db Physical Silver Euro Hedged ETC
  - Series 5 db Physical Platinum ETC
  - Series 7 db Physical Palladium ETC
  - Series 8 db Physical Palladium Euro Hedged ETC
  - Series 9 db Physical Gold ETC (EUR)
  - Series 11 db Physical Rhodium ETC

**Directors' report (continued)****Key performance indicators (continued)**

- the structure performed in accordance with the parameters set out in the multi-issuance programme and the performance is considered satisfactory.

As at 31 December 2015:

- the Company's total ETC Securities issued had a fair value of EUR 1,500,681,239 (2014: EUR 1,655,948,151) as disclosed in note 11;
- the Company has invested in inventories with a fair value of EUR 1,500,681,239 (2014: EUR 1,655,948,151) as disclosed in note 10;
- the net assets of the Company were EUR 30,002 (2014: EUR 30,002);
- the Company had the following ETC Securities in issue:

Series	Description	Maturity date	Ccy	Nominal Metals held (in units)
1	db Physical Gold ETC	15-Jun-60	USD	4,480,000 Gold
2	db Physical Gold Euro Hedged ETC	15-Jun-60	EUR	4,815,000 Gold
3	db Physical Silver ETC	15-Jun-60	USD	335,000 Silver
4	db Physical Silver Euro Hedged ETC	15-Jun-60	EUR	620,000 Silver
5	db Physical Platinum ETC	15-Jun-60	USD	375,000 Platinum
6	db Physical Platinum Euro Hedged ETC	15-Jun-60	EUR	355,000 Platinum
7	db Physical Palladium ETC	15-Jun-60	USD	595,000 Palladium
8	db Physical Palladium Euro Hedged ETC	15-Jun-60	EUR	355,000 Palladium
9	db Physical Gold ETC (EUR)	15-Jun-60	EUR	3,730,000 Gold
10	db Physical Silver ETC (EUR)	15-Jun-60	EUR	405,000 Silver
11	db Physical Rhodium ETC	19-May-61	USD	759,000 Rhodium
12	db Physical Rhodium ETC (EUR)	19-May-61	EUR	285,000 Rhodium
13	db Physical Gold GBP Hedged ETC	19-May-61	GBP	1,335,000 Gold
16	db Physical Gold CHF Hedged ETC	05-Dec-62	CHF	75,000 Gold

**Future developments**

The directors expect that the present level of activity will be sustained for the foreseeable future. The Board will continue to seek new opportunities for the Company and will continue to ensure proper management of the current portfolio of Series of the Company.

**Going concern**

The Company's financial statements for the year ended 31 December 2015 have been prepared on a going concern basis. Each Series of ETC Securities is referenced to a specific asset and any loss derived from the asset will be ultimately borne by the relevant ETC Securities holders. The directors anticipate that assets are readily realisable hence, will continue to generate enough cash flows on an ongoing basis to meet the financial liabilities as they fall due. The ETC Securities in issue as at 31 December 2015 have final maturities ranging from 2060 to 2062. Therefore, for these reasons, the directors believe that the going concern basis is appropriate. The directors do not foresee any material redemptions in the next 12 months that would trigger going concern issues.

**Business risks and principal uncertainties**

The Company is subject to various risks. The key risks facing the Company relate to their use of financial instruments and other risks (i.e market risk, credit risk, liquidity risk and operational risk) arising from the inventory which are set out in note 14 to the financial statements.

**Results and dividends for the year**

The results for the year are set out on page 8. The directors do not recommend the payment of a dividend for the year (2014: Nil).

**Directors, secretary and their interests**

None of the directors or the secretary who held office on 31 December 2015 held any shares or ETC securities in the Company at that date, or during the year. There were no contracts of any significance in relation to the business of the Company in which the directors had any interest. As disclosed in note 17, Related Party Transactions, Carl McConnell, acting as director for the Company is an employee of Deutsche Bank International Limited who provide administrative services to the Company through their subsidiary, Deutsche International Corporate Services Limited. See note 17 for full details of the relationships entered into between the Company and the Deutsche Bank Group.

There has been no changes in directors, secretary and registered office during the year.

**Shares and shareholders**

The authorised share capital of the Company is GBP 10,000 divided into 10,000 Limited shares of GBP 1 each (the "Shares") of which 2 are issued and fully paid and are directly or indirectly held by Elian Nominees (Jersey) Limited and Naile Nominees (Jersey) Limited (the "Share Trustees") under the terms of a declaration of trust (the "Declaration of Trust") under which the Share Trustees hold the benefit of the shares on trust for charitable purposes. There are no other rights that pertain to the shares and the shareholders.

**Directors' report (continued)**

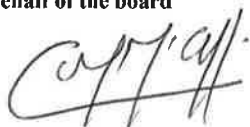
**Subsequent events**

There has been no significant events that requires disclosure to the financial statements since the year end and up to the date of approving the financial statements.

**Independent auditor**

In accordance with the Companies (Jersey) Law 1991, KPMG Channel Islands Limited, Chartered Accountants and Recognized Auditor will continue in office.

**On behalf of the board**

A handwritten signature in black ink, appearing to read 'C. J. All', is written over a horizontal line.

**Director**

**Date:** 20 April 2016

**Statement of directors' responsibilities**

The directors are responsible for preparing the financial statements, in accordance with applicable law and International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

Company law requires the directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also required by the Transparency (Directive 2004/109/EC) Regulation 2007 to include a Directors' Report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that, to the best of their knowledge and belief:

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

**On behalf of the board**



**Director**

**Date:** 20 April 2016



**KPMG Channel Islands Limited**  
37 Esplanade  
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Jersey JE4 8WQ  
Channel Islands

## **Independent auditor's report to the members of db ETC Plc**

We have audited the financial statements of db ETC Plc (the "company") for the year ended 31 December 2015 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 applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable 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.

### **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 Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.





**KPMG Channel Islands Limited**  
37 Esplanade  
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## **Independent auditor's report to the members of db ETC Plc – continued**

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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

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

- adequate accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Steven Hunt

for and on behalf of KPMG Channel Islands Limited  
*Chartered Accountants and Recognized Auditor*

21 April 2016

**Statement of comprehensive income**  
**For the year ended 31 December 2015**

	Notes	Year ended 31-Dec-15 EUR	Year ended 31-Dec-14 EUR
Net fair value (loss)/gain on inventories	4	(193,136,123)	86,919,946
Net fair value gain/(loss) on financial liabilities designated at fair value through profit or loss	5	<u>193,136,123</u>	<u>(86,919,946)</u>
<b>Operating results</b>		-	-
Other income	6	-	-
<b>Operating profit before taxation</b>		-	-
Taxation	7	-	-
<b>Total profit and loss and comprehensive income for the financial year</b>		<u>-</u>	<u>-</u>

**Statement of financial position**  
As at 31 December 2015

	Notes	31-Dec-15 EUR	31-Dec-14 EUR
<b>Assets</b>			
Cash and cash equivalents	8	2	2
Other receivables	9	30,000	30,000
Inventories held at fair value less costs to sell	10	1,500,681,239	1,655,948,151
<b>Total assets</b>		<u>1,500,711,241</u>	<u>1,655,978,153</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Financial liabilities designated at fair value through profit or loss	11	1,500,681,239	1,655,948,151
<b>Total liabilities</b>		<u>1,500,681,239</u>	<u>1,655,948,151</u>
<b>Equity</b>			
Share capital	12	2	2
Retained earnings		30,000	30,000
<b>Total equity</b>		<u>30,002</u>	<u>30,002</u>
<b>Total liabilities and equity</b>		<u>1,500,711,241</u>	<u>1,655,978,153</u>

The financial statements on pages 8 to 24 were approved by the Board and authorised for issue on... 20 April 2016.

On behalf of the board



Director

Date: 20 April 2016

**Statement of changes in equity  
For the year ended 31 December 2015**

	<b>Share capital</b>	<b>Retained</b>	<b>Total equity</b>
	<b>EUR</b>	<b>earnings</b>	<b>EUR</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Balance as at 1 January 2014	2	30,000	30,002
<b>Balance as at 31 December 2014</b>	<b>2</b>	<b>30,000</b>	<b>30,002</b>
Balance as at 1 January 2015	2	30,000	30,002
<b>Balance as at 31 December 2015</b>	<b>2</b>	<b>30,000</b>	<b>30,002</b>

**Statement of cash flows**  
**For the year ended 31 December 2015**

	Notes	Year ended 31-Dec-15 EUR	Year ended 31-Dec-14 EUR
<b>Cash flows from operating activities</b>			
Profit before taxation		-	-
<i>Adjustments for:</i>			
Net fair value loss/(gain) on inventories	4	193,136,123	(86,919,946)
Net fair value (gain)/loss on financial liabilities designated at fair value through profit or loss	5	(193,136,123)	86,919,946
<b>Net cash used in operating activities</b>		-	-
<b>Cash flows from investing activities</b>			
Purchase of inventories	10	(447,455,178)	(612,892,882)
Proceeds from disposal of inventories	10	409,585,967	638,736,737
<b>Net cash (used in)/ generated from investing activities</b>		(37,869,211)	25,843,855
<b>Cash flows from financing activities</b>			
Proceeds from issuance of financial liabilities designated at fair value through profit or loss	11	447,455,178	612,892,882
Redemption of financial liabilities designated at fair value through profit or loss	11	(409,585,967)	(638,736,737)
<b>Net cash generated from/(used in) financing activities</b>		37,869,211	(25,843,855)
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at start of the year		2	2
<b>Cash and cash equivalents at end of the year</b>	8	2	2

**Notes to the financial statements  
For the year ended 31 December 2015****1 General information**

The Company was incorporated on 6 August 2009 as a public limited company in Jersey under the Companies (Jersey) Law 1991, as amended, with company number 103781.

The principal activity of the Company, under the Secured ETC Precious Metal Securities Programme (the "Programme"), is to issue from time to time Series of secured precious metal linked securities ("ETC Securities"), where recourse in respect of each Series is limited to the proceeds of enforcement of the security over the respective Series' assets.

The ETC Securities are listed on various exchanges, including London, Switzerland, Milan and Frankfurt.

**2 Basis of preparation****(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and in accordance with the Companies (Jersey) Law 1991.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2015; the comparative information for the year ended 31 December 2014 presented in these financial statements has been prepared using the same accounting policies.

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

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following material items in the Statement of financial position:

- Inventories held at fair value are measured at fair value less costs to sell; and
- Financial liabilities designated at fair value through profit or loss are measured at fair value.

The method used to measure fair values are discussed further in note 3(f, g) and 15.

**(c) Functional and presentation currency**

Functional currency is the currency of the primary economic environment in which the entity operates. The Company does not have an investment strategy limited to one currency, as such the currency of the assets held and Notes in issue is expected to change periodically as a result of investor demand. The directors believe that the functional and the presentation currency should be EUR, in line with prior year, as EUR is the currency that most faithfully represents the economic effects of the transactions, events and conditions of the Company's underlying operations.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and 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.

The 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 in any future periods affected. Details of material judgements and estimates have been further described in accounting policy 3(f) "Inventories", 3(g) "Financial instruments" and note 15 "Fair Values" to the financial statements.

**(e) Changes in accounting standards**

*Applicable new standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted*

(i) IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018, 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 standard is not expected to have a significant impact on the Company's financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities as being at fair value through profit or loss. IFRS 9 has yet to be endorsed by the European Union (EU).

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**2 Basis of preparation (continued)**

**(e) Changes in accounting standards (continued)**

There are no other standards, interpretations or amendments to existing standards that are not yet effective that will have a significant impact on the Company's financial statements.

**3 Significant accounting policies**

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the Statement of comprehensive income.

Gains and losses arising on retranslation of financial instruments at fair value through profit or loss and inventory held at fair value less costs to sell are included in the Statement of comprehensive income together with fair value gains and losses as noted below.

**(b) Net fair value (loss)/gain on inventories**

Net fair value (loss)/gain on inventories relates to the movement in the prices of metals and includes all realised and unrealised fair value changes and foreign exchange differences. Any gains and losses arising from changes in fair value less costs to sell of the inventories are recorded in the Statement of comprehensive income. Details of recognition and measurement of inventories are disclosed in the accounting policy for inventories (note 3(f)).

**(c) Net fair value gain/(loss) on financial liabilities designated at fair value through profit or loss**

Net fair value gain/(loss) on financial liabilities designated at fair value through profit or loss relates to ETC Securities issued and includes all realised and unrealised fair value changes and foreign exchange differences. Any gains and losses arising from changes in the fair value of the financial liabilities designated at fair value through profit or loss are recorded in the Statement of comprehensive income. Details of recognition and measurement of financial liabilities are disclosed in the accounting policy of financial instruments (note 3(g)).

**(d) Other income**

Other income is recognised in the Statement of comprehensive income when the right to receive income is established, on an accruals basis.

**(e) Other expenses**

All expenses incurred by the Company are paid by the Arranger, Deutsche Bank AG, London Branch and as such, are not reflected in these financial statements.

**(f) Inventories held at fair value**

The directors believe that the Company effectively acts as commodity trader as defined in IAS 2, "Inventories" for each of the ETC Security holders. Therefore, inventories are measured at fair value less costs to sell in accordance with IFRS 13 "Fair value measurement".

*Valuation of inventories*

The gold is recorded at fair value using the AM fix on 31 December 2015 quoted by the London Bullion Market Association. The AM fix on 31 December 2015 was used to value the gold as this was the last fix price available from the London Bullion Market Association for the year.

The silver is recorded at fair value using the fix on 31 December 2015 quoted by the London Bullion Market Association. The fix on 31 December 2015 was used to value the silver as this was the last fix price available from the London Bullion Market Association for the year.

The platinum is recorded at fair value using the AM fix on 31 December 2015 quoted by the London Platinum and Palladium Market. The AM fix on 31 December 2015 was used to value the platinum as this was the last available fix price available from the London Platinum and Palladium Market for the year.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015****3 Significant accounting policies (continued)****(f) Inventories held at fair value (continued)**

The palladium is recorded at fair value using the AM fix on 31 December 2015 quoted by the London Platinum and Palladium Market. The AM fix on 31 December 2015 was used to value the palladium as this was the last available fix price available from the London Platinum and Palladium Market for the year.

The rhodium is recorded at fair value using the fix on 31 December 2015 quoted by Comdaq. The fix on 31 December 2015 was used to value the rhodium as this was the last fix price available from the Comdaq for the year.

The metal prices derived from the above sources are then adjusted for product fees charged at 0.29% to 0.95% per annum of metal entitlement and any purchase or sale transactions between the Observation Date (as defined in the Master Balancing Terms) and the year end date. The product fees are accrued on a daily basis.

The valuation of inventories held at fair value in the statement of financial position is calculated after taking account of adjustments to the Company's metal entitlement arising from the accrual of product fees and other rebalancing adjustments, consistent with the Balancing Agreements which are in place for each Series.

**(g) Financial instruments***Initial recognition*

Financial liabilities at fair value through profit or loss are recognised initially at the trade date at which the Company becomes a party to the contractual provisions of the instrument. Other financial liabilities are recognised on the date they are originated.

*Classification*

The Company has classified financial assets and financial liabilities into the following categories:

*Inventories*

- Held at fair value

Financial liabilities at fair value through profit or loss:

- Designated at fair value through profit or loss – ETC Securities issued

Financial assets at amortised cost:

- Cash and cash equivalents and other receivables.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method or any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

*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.

*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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

*Fair value measurement principles*

Financial liabilities at fair value through profit and loss are measured using the prices calculated by Deutsche International Corporate Services (Ireland) Limited (the "Determination Agent"). Quoted prices are also available on recognised stock exchanges for the financial liabilities at fair value through profit or loss. However, the directors have determined that prices calculated by the Determination Agent, Deutsche International Corporate Services (Ireland) Limited should be used as a measurement basis at 31 December 2015 and 2014 as these prices most accurately reflect the obligations of the Company under the terms of the Series Issue Deeds.



**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**3 Significant accounting policies (continued)**

**(g) Financial instruments (continued)**

*Fair value measurement principles (continued)*

The prices are calculated using the spot price of the relevant underlying metal adjusted for product fees. The product fees range from 0.29% to 0.95% per annum and are accrued on a daily basis by reducing the metal entitlement of each ETC Security.

*Identification and measurement of impairment*

At each reporting date, the Company assesses whether there is objective evidence that financial assets measured at amortised cost are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the Statement of comprehensive income.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss in the Statement of comprehensive income. The Company writes off financial assets carried at amortised cost when they are determined to be uncollectible.

**(h) Other receivables**

Other receivables are accounted for at amortised cost.

**(i) Cash and cash equivalents**

Cash and cash equivalents includes deposits held at call with the cash custodian 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.

**(j) Share capital**

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

**(k) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day-to-day management of the business including the decisions to purchase and sell securities to other parties both internal and external to the Company. The decision of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of Directors. Therefore the Directors, as chief operating decision maker, retain full responsibility as to major allocation decisions of the Company.

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 metal. Furthermore, financial information reviewed by the board of directors is split out by Series and decisions are made on the basis of this information.

The split of financial liabilities designated at fair value through profit or loss by Series is shown in note 11 to the financial statements. Financial liabilities relate to ETC Securities. Details of the fair value movement by Series and the year end unit price by Series are included in note 11 which are the key measures of performance for each Series. There were no transactions between reportable segments during the year. All the entity-wide disclosures are covered in the Statement of financial position and the Statement of comprehensive income.

**4 Net fair value (loss)/gain on inventories**

	Year ended 31-Dec-15	Year ended 31-Dec-14
	EUR	EUR
Net fair value (loss)/gain on inventories	(193,136,123)	86,919,946
	<u>(193,136,123)</u>	<u>86,919,946</u>

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

<b>5</b>	<b>Net fair value gain/(loss) on financial liabilities designated at fair value through profit or loss</b>	<b>Year ended 31-Dec-15</b>	<b>Year ended 31-Dec-14</b>
		<b>EUR</b>	<b>EUR</b>
	Net fair value gain/(loss) on ETC Securities	193,136,123	(86,919,946)
		<u>193,136,123</u>	<u>(86,919,946)</u>

**6 Other income**  
Other income relates to corporate benefits which are receivable from the Arranger, Deutsche Bank AG, London Branch and represent the Company's profit as a result of entering into the Programme. No corporate benefits was received for the year ended 31 December 2015.

**7 Taxation**  
The Company is not a regulated financial service company from a Jersey Income Tax perspective. Therefore, the Company is liable to Jersey Income Tax at 0%.

<b>8</b>	<b>Cash and cash equivalents</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
		<b>EUR</b>	<b>EUR</b>
	Cash and cash equivalents	2	2
		<u>2</u>	<u>2</u>

The Company's cash and cash equivalents include deposits held at call with Elian Corporate Trustee (Jersey) Limited, as cash custodian.

<b>9</b>	<b>Other receivables</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
		<b>EUR</b>	<b>EUR</b>
	Corporate benefit receivable due from Arranger	30,000	30,000
		<u>30,000</u>	<u>30,000</u>

<b>10</b>	<b>Inventories held at fair value less costs to sell</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
		<b>EUR</b>	<b>EUR</b>
	Inventories	1,500,681,239	1,655,948,151
		<u>1,500,681,239</u>	<u>1,655,948,151</u>

	<b>Movement in inventories</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
		<b>EUR</b>	<b>EUR</b>
	At beginning of the year	1,655,948,151	1,594,872,060
	Additions during the year	447,455,178	612,892,882
	Disposals during the year	(409,585,967)	(638,736,737)
	Net changes in fair value during the year	(193,136,123)	86,919,946
	At end of the year	<u>1,500,681,239</u>	<u>1,655,948,151</u>

<b>11</b>	<b>Financial liabilities designated at fair value through profit or loss</b>	<b>31-Dec-15</b>		<b>31-Dec-14</b>	
		<b>Nominal</b>	<b>Fair value</b>	<b>Nominal</b>	<b>Fair value</b>
		<b>units</b>	<b>Amount</b>	<b>units</b>	<b>Amount</b>
		<b>issued</b>	<b>EUR</b>	<b>issued</b>	<b>EUR</b>
	ETC Securities issued	18,519,000	1,500,681,239	18,624,000	1,655,948,151
		<u>18,519,000</u>	<u>1,500,681,239</u>	<u>18,624,000</u>	<u>1,655,948,151</u>

	<b>Movement in ETC Securities issued</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
		<b>EUR</b>	<b>EUR</b>
	At beginning of the year	1,655,948,151	1,594,872,060
	Issue of ETC Securities issued during the year	447,455,178	612,892,882
	Redemption of ETC Securities issued during the year	(409,585,967)	(638,736,737)
	Net changes in fair value during the year	(193,136,123)	86,919,946
	At end of year	<u>1,500,681,239</u>	<u>1,655,948,151</u>

The ETC Securities issued are listed on various exchanges, including London, Switzerland, Milan and Frankfurt. Refer to note 14 for a description of the key risks regarding the issue of these instruments.

**Notes to the financial statements (continued)**

For the year ended 31 December 2015

**11 Financial liabilities designated at fair value through profit or loss (continued)**

The financial liabilities in issue at 31 December 2015 are as follows:

Series	Description	CCY	Maturity	31-Dec-15 Units Outstanding	31-Dec-15 NAV per unit (CCY)	31-Dec-15 Fair value EUR
Series 1	db Physical Gold ETC	USD	15-Jun-60	4,480,000	104.51	431,197,580
Series 2	db Physical Gold Euro Hedged ETC	EUR	15-Jun-60	4,815,000	80.65	388,350,563
Series 3	db Physical Silver ETC	USD	15-Jun-60	335,000	134.75	41,573,756
Series 4	db Physical Silver Euro Hedged ETC	EUR	15-Jun-60	620,000	100.86	62,534,250
Series 5	db Physical Platinum ETC	USD	15-Jun-60	375,000	85.05	29,374,216
Series 6	db Physical Platinum Euro Hedged ETC	EUR	15-Jun-60	355,000	63.35	22,490,491
Series 7	db Physical Palladium ETC	USD	15-Jun-60	595,000	53.35	29,236,328
Series 8	db Physical Palladium Euro Hedged ETC	EUR	15-Jun-60	355,000	39.09	13,877,531
Series 9	db Physical Gold ETC (EUR)	EUR	15-Jun-60	3,730,000	95.92	357,764,133
Series 10	db Physical Silver ETC (EUR)	EUR	15-Jun-60	405,000	123.80	50,139,359
Series 11	db Physical Rhodium ETC	USD	19-May-61	759,000	58.34	40,783,578
Series 12	db Physical Rhodium ETC (EUR)	EUR	19-May-61	285,000	53.62	15,282,645
Series 13	db Physical Gold GBP Hedged ETC	GBP	19-May-61	1,335,000	6.39	11,569,405
Series 16	db Physical Gold CHF Hedged ETC	CHF	05-Dec-62	75,000	94.43	6,507,404
				18,519,000		1,500,681,239

The financial liabilities in issue at 31 December 2014 are as follows:

Series	Description	CCY	Maturity	31-Dec-14 Units outstanding	31-Dec-14 NAV per unit (CCY)	31-Dec-14 Fair value EUR
Series 1	db Physical Gold ETC	USD	15-Jun-60	5,230,000	118.33	511,558,970
Series 2	db Physical Gold Euro Hedged ETC	EUR	15-Jun-60	4,815,000	92.64	446,047,578
Series 3	db Physical Silver ETC	USD	15-Jun-60	275,000	156.42	35,556,687
Series 4	db Physical Silver Euro Hedged ETC	EUR	15-Jun-60	520,000	118.99	61,874,470
Series 5	db Physical Platinum ETC	USD	15-Jun-60	475,000	118.56	46,549,474
Series 6	db Physical Platinum Euro Hedged ETC	EUR	15-Jun-60	255,000	89.39	22,794,724
Series 7	db Physical Palladium ETC	USD	15-Jun-60	775,000	78.19	50,088,773
Series 8	db Physical Palladium Euro Hedged ETC	EUR	15-Jun-60	380,000	57.93	22,012,327
Series 9	db Physical Gold ETC (EUR)	EUR	15-Jun-60	2,905,000	97.63	283,603,141
Series 10	db Physical Silver ETC (EUR)	EUR	15-Jun-60	405,000	128.81	52,166,242
Series 11	db Physical Rhodium ETC	USD	19-May-61	809,000	118.78	79,430,323
Series 12	db Physical Rhodium ETC (EUR)	EUR	19-May-61	285,000	97.76	27,862,036
Series 13	db Physical Gold GBP Hedged ETC	GBP	19-May-61	1,335,000	7.27	12,496,238
Series 14	db Physical Silver GBP Hedged ETC	GBP	19-May-61	135,000	9.42	1,638,200
Series 16	db Physical Gold CHF Hedged ETC	CHF	05-Dec-62	25,000	109.03	2,268,968
				18,624,000		1,655,948,151

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**11 Financial liabilities designated at fair value through profit or loss (continued)**

*Movement in fair values by Series for the year ended 31 December 2015*

Series	Description	Opening balance EUR	Issuances 31-Dec-15 EUR	Redemptions 31-Dec-15 EUR	Net changes in fair values EUR	Closing balance 31-Dec-15 EUR
Series 1	db Physical Gold ETC	511,558,970	83,305,066	(157,705,175)	(5,961,281)	431,197,580
Series 2	db Physical Gold Euro Hedged ETC	446,047,578	156,914,911	(141,066,221)	(73,545,705)	388,350,563
Series 3	db Physical Silver ETC	35,556,687	7,958,239	-	(1,941,170)	41,573,756
Series 4	db Physical Silver Euro Hedged ETC	61,874,470	18,306,102	(5,371,020)	(12,275,302)	62,534,250
Series 5	db Physical Platinum ETC	46,549,474	9,344,883	(17,591,331)	(8,928,810)	29,374,216
Series 6	db Physical Platinum Euro Hedged ETC	22,794,724	8,535,882	-	(8,840,115)	22,490,491
Series 7	db Physical Palladium ETC	50,088,773	1,345,216	(13,528,676)	(8,668,985)	29,236,328
Series 8	db Physical Palladium Euro Hedged ETC	22,012,327	6,087,158	(8,644,117)	(5,577,837)	13,877,531
Series 9	db Physical Gold ETC (EUR)	283,603,141	151,077,223	(60,328,407)	(16,587,824)	357,764,133
Series 10	db Physical Silver ETC (EUR)	52,166,242	-	-	(2,026,883)	50,139,359
Series 11	db Physical Rhodium ETC	79,430,323	-	(3,603,182)	(35,043,563)	40,783,578
Series 12	db Physical Rhodium ETC (EUR)	27,862,036	-	-	(12,579,391)	15,282,645
Series 13	db Physical Gold GBP Hedged ETC	12,496,238	-	-	(926,833)	11,569,405
Series 14	db Physical Silver GBP Hedged ETC	1,638,200	-	(1,747,838)	109,638	-
Series 16	db Physical Gold CHF Hedged ETC	2,268,968	4,580,498	-	(342,062)	6,507,404
		1,655,948,151	447,455,178	(409,585,967)	(193,136,123)	1,500,681,239

*Movement in fair values by Series for the year ended 31 December 2014*

Series	Description	Opening balance EUR	Issuances 31-Dec-14 EUR	Redemptions 31-Dec-14 EUR	Net changes in fair values EUR	Closing balance 31-Dec-14 EUR
Series 1	db Physical Gold ETC	389,365,984	182,082,495	(108,588,862)	48,699,353	511,558,970
Series 2	db Physical Gold Euro Hedged ETC	478,194,401	178,340,539	(195,486,736)	(15,000,626)	446,047,578
Series 3	db Physical Silver ETC	50,962,371	5,890,947	(17,578,531)	(3,718,100)	35,556,687
Series 4	db Physical Silver Euro Hedged ETC	73,523,322	6,550,991	(3,056,109)	(15,143,734)	61,874,470
Series 5	db Physical Platinum ETC	56,903,022	49,006,338	(55,876,142)	(3,483,744)	46,549,474
Series 6	db Physical Platinum Euro Hedged ETC	27,890,652	7,667,922	(9,047,852)	(3,715,998)	22,794,724
Series 7	db Physical Palladium ETC	50,163,234	27,792,543	(41,172,873)	13,305,869	50,088,773
Series 8	db Physical Palladium Euro Hedged ETC	10,428,122	21,426,699	(11,576,900)	1,734,406	22,012,327
Series 9	db Physical Gold ETC (EUR)	293,328,615	94,279,597	(138,312,321)	34,307,250	283,603,141
Series 10	db Physical Silver ETC (EUR)	76,025,251	16,760,019	(35,677,808)	(4,941,220)	52,166,242
Series 11	db Physical Rhodium ETC	52,927,625	18,069,618	(16,375,268)	24,808,348	79,430,323

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**11 Financial liabilities designated at fair value through profit or loss (continued)**

*Movement in fair values by Series for the year ended 31 December 2014 (continued)*

Series	Description	Opening balance EUR	Issuances 31-Dec-14 EUR	Redemptions 31-Dec-14 EUR	Net changes in fair values EUR	Closing balance 31-Dec-14 EUR
Series 12	db Physical Rhodium ETC (EUR)	18,881,747	5,025,174	(5,620,485)	9,575,600	27,862,036
Series 13	db Physical Gold GBP Hedged ETC	12,135,149	-	(366,850)	727,939	12,496,238
Series 14	db Physical Silver GBP Hedged ETC	1,887,612	-	-	(249,412)	1,638,200
Series 16	db Physical Gold CHF Hedged ETC	2,254,953	-	-	14,015	2,268,968
		<u>1,594,872,060</u>	<u>612,892,882</u>	<u>(638,736,737)</u>	<u>86,919,946</u>	<u>1,655,948,151</u>

**12 Share capital**

*Authorised:*

10,000 ordinary shares of GBP 1 each

	31-Dec-15 GBP	31-Dec-14 GBP
	<u>10,000</u>	<u>10,000</u>

*Issued and fully paid*

2 ordinary shares of GBP 1 each

	EUR	EUR
	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

As at 31 December, the ordinary share capital was held by the following non-beneficial nominees:

	31-Dec-15 GBP	31-Dec-14 GBP
Elian Nominees (Jersey) Limited	1	1
Naile Nominees (Jersey) Limited	1	1
	<u>2</u>	<u>2</u>

The authorised share capital of the Company is GBP 10,000, out of which 2 ordinary shares have been issued and fully paid. The nominees have no beneficial interest in and derives no benefit from its holding of the shares. There are no other rights that pertain to the shares and the shareholders.

**13 Capital risk management**

The Company views the share capital as its capital. The Company is a special purpose vehicle set up to issue ETC Securities for the purpose of making investments as defined under the programme memorandum and in each of the Series memorandum agreements. Share capital of GBP 2 was issued in line with Jersey 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.

The Company can issue further series of ETC Securities to meet the demand of its investors.

**14 Financial risk management**

*Risk management framework*

The Company, and ultimately the holders of the ETC Securities, have exposure to the following risks from its use of financial instruments:

- (a) Market risk;
- (b) Credit risk;
- (c) Liquidity risk; and
- (d) Operational 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 these risks.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**14 Financial risk management (continued)**

**(a) Market risk**

Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The ETC Securities holders are exposed to the market risk of the financial instruments.

*(i) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of a change in interest rates. None of the Company's assets nor ETC Securities, bear interest. As such, the Company and ETC Securities holders are not exposed to interest rate risk.

*(ii) Currency risk*

Currency risk is the risk which arises where the assets and liabilities of the Company are denominated in currencies other than its functional currency. As at 31 December 2015, the Company is exposed to assets and liabilities denominated in US Dollars (USD), Pound Sterling (GBP) and Swiss Franc (CHF).

The Company is not exposed to net currency risk since the foreign exchange movements in its financial liabilities will be offset by the foreign exchange movements in its inventories. Any net foreign currency risk is borne by the ETC security holders.

As at the reporting date, the carrying value of the Company's assets and liabilities held in individual foreign currencies were as follows:

<b>31-Dec-15</b>	<b>USD EUR</b>	<b>GBP EUR</b>	<b>CHF EUR</b>	<b>Total EUR</b>
Inventories held at fair value	572,165,458	11,569,405	6,507,404	590,242,267
<b>Total assets</b>	<b>572,165,458</b>	<b>11,569,405</b>	<b>6,507,404</b>	<b>590,242,267</b>
Financial liabilities designated at fair value through profit or loss	(572,165,458)	(11,569,405)	(6,507,404)	(590,242,267)
<b>Total liabilities</b>	<b>(572,165,458)</b>	<b>(11,569,405)</b>	<b>(6,507,404)</b>	<b>(590,242,267)</b>
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31-Dec-14</b>	<b>USD EUR</b>	<b>GBP EUR</b>	<b>CHF EUR</b>	<b>Total EUR</b>
Inventories held at fair value	723,184,227	14,134,438	2,268,968	739,587,633
<b>Total assets</b>	<b>723,184,227</b>	<b>14,134,438</b>	<b>2,268,968</b>	<b>739,587,633</b>
Financial liabilities designated at fair value through profit or loss	(723,184,227)	(14,134,438)	(2,268,968)	(739,587,633)
<b>Total liabilities</b>	<b>(723,184,227)</b>	<b>(14,134,438)</b>	<b>(2,268,968)</b>	<b>(739,587,633)</b>
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following exchange rates have been applied during the year:

	<b>Average rate - year ended</b>		<b>Closing rate</b>	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
USD-EUR	0.87380	0.77715	0.92100	0.82660
GBP-EUR	1.32235	1.24607	1.35710	1.28760
CHF-EUR	0.87560	0.82357	0.91880	0.83240

The impact of changes in foreign exchange rates on the financial assets is offset by the impact of foreign exchange rate changes on the financial liabilities. Therefore any change in the exchange rates would have no net effect on the equity or the profit or loss of the Company.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**14 Financial risk management (continued)**

**(a) Market risk (continued)**

*(iii) Price risk*

Price risk is the risk that changes in market prices of metals will affect the Company's income, expense, inventories and financial liabilities designated at fair value through profit or loss. The Company's liabilities are exposed to the market prices of the metals. However, the risk is mitigated by the Company holding quantities of physical metal inventory equivalent to the weight of metal entitlement for each Series of ETC Securities issued. The ETC Security holders are exposed to the market price risk of their metal entitlement under the ETC Securities.

Any changes in the metal spot prices on the inventories held by the Company would not have any net effect on the equity or the profit or loss of the Company since changes in the fair value of inventories would be offset by corresponding changes in the fair value of the ETC Securities and as such any price risk is ultimately borne by the ETC Security holders.

**(b) Credit risk**

Credit risk is the risk of the 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 and other receivables which represents the Company's maximum exposure to credit risk.

The Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 December 2015 in relation to financial assets, is the carrying amount of those assets as indicated in the Statement of financial position was:

	<b>31-Dec-15</b>	<b>31-Dec-14</b>
	<b>EUR</b>	<b>EUR</b>
Other receivables	30,000	30,000
Cash and cash equivalents	2	2
	<u>30,002</u>	<u>30,002</u>

The Company has no net credit risk given its obligations on the ETC Securities holders are limited in recourse to the amount received on the inventories for each series of ETC Securities.

As at 31 December 2015, no financial assets carried at amortised cost were past due or impaired (2014:Nil). Assets that have been pledged as collateral for financial liabilities are disclosed in note 10.

The directors have also considered the credit risk and counterparty risk with JP Morgan and Johnson Matthey as custodian and sub-custodian respectively of the allocated and unallocated inventories held by the Company given the significance of the inventories to the overall financial position of the Company. As at 31 December 2015, the Company held inventories with a fair value of EUR 1,500,681,239 (2014: EUR 1,655,948,151).

With an overall credit rating status of JP Morgan (2015: S&P A-) (2014: S&P A-1), the directors are of opinion that counterparty risk is acceptable.

Ultimately, all credit and counterparty risks associated with JP Morgan are borne by the ETC security holders.

The directors believe that the counterparty risk and credit risk exposure of the Company to the sub-custodian, Johnson Matthey, is not significant given that only approximately 4% (2014: 7%) of the total value of inventories are held with this sub-custodian.

*Concentration risk*

At the reporting date, the Company's inventories held at fair value less costs to sell were concentrated in the following asset types and geographical location:

<b>By industry</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<i>Types of collaterals</i>	%	%
Investment in Metals (Inventories)	100	100
	<u>100</u>	<u>100</u>
<b>By Geographical location</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<i>Country of origin</i>	%	%
United Kingdom	100	100
	<u>100</u>	<u>100</u>

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**14 Financial risk management (continued)**

**(b) Credit risk (continued)**

*Other receivables*

Other receivables is mainly corporate benefit receivable by the Company at the year end from Deutsche Bank AG, London Branch. The credit ratings of Deutsche Bank AG, London are as follows:

	31-Dec-15		31-Dec-14	
	Short term ratings	Long term ratings	Short term ratings	Long term ratings
Moody	P-2	A3	P-2	A3
Standard & Poor's	A-2	BBB+	A-1	A
Fitch	F1	A-	F1+	A+

Although Standard & Poor's short term and long term credit ratings of Deutsche Bank AG, London Branch changed from A-1 in 2014 to A-2 in 2015 and from A in 2014 to BBB+ in 2015 respectively and Fitch's short term and long term credit ratings of Deutsche Bank AG, London Branch changed from F1+ in 2014 to F1 in 2015 and from A+ in 2014 to A- in 2015 respectively, the Directors still believe that Deutsche Bank AG London is still highly rated.

**(c) 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 through the purchase of inventory. All liquidity risk associated with the inventories are ultimately borne by the ETC Securities holders.

The contractual maturity profile of financial liabilities as at 31 December 2015 is as follows:

	Carrying amount	Gross contractual cash flows	Less than one year
	EUR	EUR	EUR
Financial liabilities designated at fair value through profit or loss	(1,500,681,239)	(1,500,681,239)	(1,500,681,239)
	<u>(1,500,681,239)</u>	<u>(1,500,681,239)</u>	<u>(1,500,681,239)</u>

The contractual maturity profile of financial liabilities as at 31 December 2014 is as follows:

	Carrying amount	Gross contractual cash flows	Less than one year
	EUR	EUR	EUR
Financial liabilities designated at fair value through profit or loss	(1,655,948,151)	(1,655,948,151)	(1,655,948,151)
	<u>(1,655,948,151)</u>	<u>(1,655,948,151)</u>	<u>(1,655,948,151)</u>

Due to the fact that the ETC Securities holders have the option to redeem the securities before the final scheduled maturity date, the financial liabilities designated at fair value through profit or loss have been classified as due in less than one year.

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.

**(d) 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 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 of 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 administration functions are outsourced to Deutsche International Corporate Services Limited. Deutsche Bank AG, London Branch acts as the Company's authorised participant, arranger, issuing and paying agent.



**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**15 Fair values**

The Company's inventories and financial liabilities at fair value through profit or loss are carried at fair value in the Statement of financial position.

The Company's accounting policy on fair value measurement for inventory is disclosed in note 3(f) to the financial statements. The Company's accounting policy on fair value measurement of financial liabilities at fair value through profit or loss is disclosed in note 3(g). The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price in an active market for an identical instrument.
- 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).

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 that use only observable market data and require little management judgement and estimation. 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.

Transfers between levels are determined based on changes to the significant inputs used in their fair value measurement. The directors evaluate whether significant inputs to the valuation models are observable at the year end in making a decision to transfer a valuation from one level to another.

The Company determines the effective date of transfer at the beginning of the reporting period.

The Company does not have any financial instruments at Level 1 or Level 3, nor have there been any transfers between any of the categories.

At 31 December 2015 and 31 December 2014, the carrying amounts of inventories and financial liabilities issued by the Company are as follows:

	<b>31-Dec-15</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Inventories held at fair value less costs to sell	-	1,500,681,239	-	1,500,681,239
Financial liabilities designated at fair value through profit or loss	-	(1,500,681,239)	-	(1,500,681,239)
	-	-	-	-
	<b>31-Dec-14</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Inventories held at fair value less costs to sell	-	1,655,948,151	-	1,655,948,151
Financial liabilities designated at fair value through profit or loss	-	(1,655,948,151)	-	(1,655,948,151)
	-	-	-	-

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.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2015**

**16 Classification of financial instruments**

	Carrying value	Fair value	Carrying value	Fair value
	31-Dec-15	31-Dec-15	31-Dec-14	31-Dec-14
	EUR	EUR	EUR	EUR
<i>At fair value</i>				
Financial liabilities designated at fair value through profit or loss	(1,500,681,239)	(1,500,681,239)	(1,655,948,151)	(1,655,948,151)
	<u>(1,500,681,239)</u>	<u>(1,500,681,239)</u>	<u>(1,655,948,151)</u>	<u>(1,655,948,151)</u>
<i>At amortised cost</i>				
Cash and cash equivalents	2	2	2	2
Other receivables	30,000	30,000	30,000	30,000
	<u>30,002</u>	<u>30,002</u>	<u>30,002</u>	<u>30,002</u>

**17 Related Party Transactions**

Elian Corporate Director 3 Limited (Formerly Ogier Corporate Director (Jersey) 3 Limited) and Elian Corporate Director 4 Limited (Formerly Ogier Corporate Director (Jersey) 4 Limited) act solely in the capacity as directors of Jersey companies, pursuant to the Companies (Jersey) Law 1991, as amended. Elian Corporate Director (Jersey) 3 Limited changed its name from Ogier Corporate Director (Jersey) 3 Limited, and Elian Corporate Director (Jersey) 4 Limited changed its name from Ogier Corporate Director (Jersey) 4 Limited on 26 September 2014. Subsequent to this, Elian Corporate Director (Jersey) 3 Limited was renamed as Elian Corporate Director 3 Limited, and Elian Corporate Director (Jersey) 4 Limited was renamed as Elian Corporate Director 4 Limited with effect from 15 April 2015. Both are part of the Elian group of companies. No fee was charged or paid to the Elian Group during the year under review by the Company for the provision of directors. As disclosed in note 3(d), most expenses of the Company are borne by the Arranger, Deutsche Bank AG, London Branch, including fees paid to Elian.

Carl McConnell, acting as director for the Company is an employee of Deutsche Bank International Limited. Deutsche International Corporate Services Limited, which acts as administrator to the Company, is a subsidiary of Deutsche Bank International Limited and is part of Deutsche Bank AG, London Branch.

As at 31 December 2015, corporate benefit fees amounting to EUR 30,000 (2014: EUR 30,000) were receivable from Deutsche Bank AG, London Branch.

Product fees incurred for the year ended 31 December 2015 due to Deutsche Bank AG in its capacity as Arranger amounted to EUR 8,136,033 (2014: EUR 9,565,644). No amount was payable as at 31 December 2015 (2014: EUR Nil).

As at 31 December 2015, the number of ETC Securities held by Deutsche Bank AG, London Branch, as authorised participant was 1,340,280 units (EUR 73,205,444) (2014: 1,688,239 units (EUR 114,533,726)).

**18 Ultimate controlling party**

The directors of the Company consider Elian Corporate Trustee (Jersey) Limited as trustee of the db ETC Charitable Trust (the beneficial owner of the issued share capital of the Company) to be the ultimate controlling party of the Company.

**19 Key management personnel**

The key management personnel has been identified as being the directors of the Company.

Carl McConnell is an employee of Deutsche Bank International Limited during the year ended 31 December 2015. His emoluments are paid by Deutsche Bank International Limited and other related entities and no re-charge is made to the Company. It is therefore not possible to make a reasonable apportionment of his emoluments in respect of the Company.