# db ETC Plc

**Directors' report and audited financial statements**

**For the year ended 31 December 2012**

**Registered number 103781**

# db ETC Plc

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## db ETC Plc



### Directors' and other information

| | |
|---|---|
| **Directors** | Ogier Corporate Director (Jersey) 3 Limited<br>Ogier Corporate Director (Jersey) 4 Limited<br>Peter Becker (appointed on 24 September 2012)<br>Ed Fletcher (resigned on 24 September 2012)<br>Alan Booth (resigned as alternate director for Ed Fletcher on 24 September 2012 and appointed as alternate director to Peter Becker on 30 October 2012) |
| **Registered Office** | St Paul's Gate<br>New Street<br>St Helier<br>Jersey JE4 8ZB<br>Channel Islands |
| **Administrator, Determination Agent & Company Secretary** | Deutsche International Corporate Services Limited<br>St Paul's Gate<br>New Street<br>St Helier<br>Jersey JE4 8ZB<br>Channel Islands |
| **Authorised Participant, Arranger, Issuing and Paying Agent, Programme Counterparty, Custodian and Metal Agent** | Deutsche Bank AG<br>London Branch<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom |
| **Note Trustee** | Deutsche Trustee Company Limited<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom |
| **Independent Auditor** | KPMG Channel Islands Limited<br>37 Esplanade<br>St Helier<br>Jersey JE4 8WQ<br>Channel Islands |

## db ETC Plc



### Directors' report

The directors present the annual report and audited financial statements of db ETC Plc (the "Company") for the year ended 31 December 2012.

**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 unallocated 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 of 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 in the financial statements are those that are used to assess the performance of the Company.

During the year:

- the Company made a profit of EUR 2,500 (2011: loss of EUR 922,427);
- the net gain on inventories amounted to EUR 62,033,676 (2011: net loss of EUR 7,577,082) as disclosed in note 4;
- the net loss from financial liabilities designated at fair value through profit or loss amounted to EUR 62,033,676 (2011: net gain of EUR 6,642,155) as disclosed in note 5 of the financial statements.
- the following new Series of ETC Securities was issued:
  Series 16 db Physical Gold CHF Hedged ETC
- 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 7 | db Physical Palladium ETC |
| Series 8 | db Physical Palladium Euro Hedged ETC |
| Series 9 | db Physical Gold ETC |
| Series 10 | db Physical Silver ETC |
| Series 11 | db Physical Rhodium ETC |
| Series 12 | db Physical Rhodium ETC (EUR) |
| Series 13 | db Physical Gold GBP Hedged ETC |
| Series 15 | db Physical Gold SGD Hedged ETC |

## db ETC Plc



### Directors' report (continued)

**Key performance indicators (continued)**

- the following Series of ETC Securities were partially redeemed:

| | |
|---|---|
| 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 8 | db Physical Palladium Euro Hedged ETC |
| Series 9 | db Physical Gold ETC |
| Series 10 | db Physical Silver ETC |

- 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 2012:

- the Company's total ETC Securities issued had a fair value of EUR 2,453,380,431 (2011: EUR 1,464,775,682);
- the Company has invested in inventories with a fair value of EUR 2,453,380,431 (2011: EUR 1,464,775,682)
- the net assets of the Company was EUR 30,002 (2011: EUR 27,502);
- the Company had invested in inventories in each of the following Series:

| Series | Description | Maturity date | Ccy | Nominal (in units) |
|---|---|---|---|---|
| 1 | Gold | 15-Jun-60 | USD | 246,183 |
| 2 | Gold | 15-Jun-60 | EUR | 955,149 |
| 3 | Silver | 15-Jun-60 | USD | 2,718,824 |
| 4 | Silver | 15-Jun-60 | EUR | 4,271,369 |
| 5 | Platinum | 15-Jun-60 | USD | 45,989 |
| 6 | Platinum | 15-Jun-60 | EUR | 25,767 |
| 7 | Palladuim | 15-Jun-60 | USD | 71,208 |
| 8 | Palladuim | 15-Jun-60 | EUR | 23,411 |
| 9 | Gold | 15-Jun-60 | EUR | 410,709 |
| 10 | Silver | 15-Jun-60 | EUR | 1,979,098 |
| 11 | Rhodium | 19-May-61 | USD | 30,927 |
| 12 | Rhodium | 19-May-61 | EUR | 21,668 |
| 13 | Gold | 19-May-61 | GBP | 19,707 |
| 14 | Silver | 19-May-61 | GBP | 72,923 |
| 15 | Gold | 19-May-61 | SGD | 2,883 |
| 16 | Gold | 05-Dec-62 | CHF | 1,522 |

- the Company had the following ETC Securities in issue:

| Series | Description | Maturity date | Ccy | Nominal (in units) |
|---|---|---|---|---|
| 1 | db Physical Gold ETC | 15-Jun-60 | USD | 2,480,000 |
| 2 | db Physical Gold Euro Hedged ETC | 15-Jun-60 | EUR | 9,225,000 |
| 3 | db Physical Silver ETC | 15-Jun-60 | USD | 275,000 |
| 4 | db Physical Silver Euro Hedged ETC | 15-Jun-60 | EUR | 425,000 |
| 5 | db Physical Platinum ETC | 15-Jun-60 | USD | 465,000 |
| 6 | db Physical Platinum Euro Hedged ETC | 15-Jun-60 | EUR | 260,000 |
| 7 | db Physical Palladium ETC | 15-Jun-60 | USD | 720,000 |
| 8 | db Physical Palladium Euro Hedged ETC | 15-Jun-60 | EUR | 240,000 |
| 9 | db Physical Gold ETC (EUR) | 15-Jun-60 | EUR | 4,135,000 |
| 10 | db Physical Silver ETC (EUR) | 15-Jun-60 | EUR | 200,000 |
| 11 | db Physical Rhodium ETC | 19-May-61 | USD | 314,000 |
| 12 | db Physical Rhodium ETC (EUR) | 19-May-61 | EUR | 220,000 |
| 13 | db Physical Gold GBP Hedged ETC | 19-May-61 | GBP | 1,985,000 |
| 14 | db Physical Silver GBP Hedged ETC | 19-May-61 | GBP | 75,000 |
| 15 | db Physical Gold SGD Hedged ETC | 19-May-61 | SGD | 30,000 |
| 16 | db Physical Gold CHF Hedged ETC | 05-Dec-62 | CHF | 15,000 |

**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 2012 have been prepared on a going concern basis. Each asset is referenced to a specific Series of ETC Securities and any loss derived from the asset will be ultimately borne by the relevant ETC securities holders. The directors anticipate that assets 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 2012 have final maturities ranging from 2060 to 2062. There have also been new Series of ETC Securities issued during the year and for these reasons, the directors believe that the going concern basis is appropriate. The directors do not foresee any material redemption 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 (2011: Nil).

**Directors, secretary and their interests**
None of the directors or the secretary who held office on 31 December 2012 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, Peter Becker, 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.

The following changes in directors occurred during the year under review:

24 September 2012:
Ed Fletcher resigned as director of the Company;
Peter Becker was appointed as director of the Company; and
Alan Booth resigned as alternate director to Ed Fletcher.

30 October 2012:
Alan Booth was appointed as alternate director to Peter Becker.

There were no other changes in 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 held by Ogier Nominees (Jersey) Limited and Reigo 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.

**Subsequent events**
Significant events that require disclosure to the financial statement since the year end and up to the date of approving this report have been disclosed in note 20 to the financial statements.

**Independent auditor**
In accordance with Jersey Company Law, KPMG Channel Islands Limited, Chartered Accountants and Recognized Auditors will continue in office.

**On behalf of the board**

**Director**

**Date:** 27 March 2013

## db ETC Plc



### 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

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 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:** 27 March 2013

KPMG

**KPMG Channel Islands Limited**
37 Esplanade
St Helier
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 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 applicable law and International Financial Reporting Standards as adopted by the European Union ("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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

KPMG

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

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

## Opinion on 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 2012 and of its profit 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.

Eric J. Bertrand

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

2 April 2013

Notes:

- The maintenance and integrity of the websites on which the financial statements are published are the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly. KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 2 April 2013. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 2 April 2013 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

## db ETC Plc



**Statement of comprehensive income**
**For the year ended 31 December 2012**

| | Notes | Year ended 31-Dec-12 EUR | Year ended 31-Dec-11 EUR |
|---|---|---|---|
| Net fair value gain/ (loss) on inventories | 4 | 62,033,676 | (7,577,082) |
| Net fair value (loss)/ gain on financial liabilities designated at fair value through profit or loss | 5 | (62,033,676) | 6,642,155 |
| | | - | (934,927) |
| **Operating results** | | | |
| Other income | 6 | 2,500 | 12,500 |
| **Operating profit/(loss) before taxation** | | 2,500 | (922,427) |
| Taxation | 7 | - | - |
| **Total comprehensive income/(loss) for the financial year** | | 2,500 | (922,427) |

The notes on pages 12 to 24 form an integral part of the financial statements.

## db ETC Plc



**Statement of financial position**
**As at 31 December 2012**

| | Notes | 31-Dec-12 EUR | 31-Dec-11 EUR |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 8 | 2 | 2 |
| Other receivables | 9 | 30,000 | 27,500 |
| Inventories held at fair value | 10 | 2,453,380,431 | 1,464,775,682 |
| **Total assets** | | 2,453,410,433 | 1,464,803,184 |
| | | | |
| **Liabilities and equity** | | | |
| | | | |
| **Liabilities** | | | |
| Financial liabilities designated at fair value through profit or loss | 11 | 2,453,380,431 | 1,464,775,682 |
| **Total liabilities** | | 2,453,380,431 | 1,464,775,682 |
| | | | |
| **Equity** | | | |
| Share capital – equity | 12 | 2 | 2 |
| Retained earnings | | 30,000 | 27,500 |
| **Total equity** | | 30,002 | 27,502 |
| | | | |
| **Total liabilities and equity** | | 2,453,410,433 | 1,464,803,184 |

The financial statements on pages 8 to 24 were approved by the Board and authorised for issue on 27 March 2013.

**On behalf of the board**

**Director**

Date: 27 March 2013

## Statement of changes in equity
**For the year ended 31 December 2012**

| | Share capital EUR | Retained earnings EUR | Total equity EUR |
|---|---|---|---|
| Balance as at 1 January 2011 | 2 | 949,927 | 949,929 |
| *Total comprehensive income for the year* | | | |
| Loss for the year | - | (922,427) | (922,427) |
| Total comprehensive income for the year | - | (922,427) | (922,427) |
| **Balance as at 31 December 2011** | 2 | 27,500 | 27,502 |
| Balance as at 1 January 2012 | 2 | 27,500 | 27,502 |
| *Total comprehensive income for the year* | | | |
| Profit for the year | - | 2,500 | 2,500 |
| Total comprehensive income for the year | - | 2,500 | 2,500 |
| **Balance as at 31 December 2012** | 2 | 30,000 | 30,002 |

## db ETC Plc



**Statement of cash flows**
**For the year ended 31 December 2012**

| | Notes | Year ended 31-Dec-12 EUR | Year ended 31-Dec-11 EUR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 2,500 | (922,427) |
| *Adjustments for:* | | | |
| Net fair value (gain) /loss on inventories | 4 | (62,033,676) | 7,577,082 |
| Net fair value loss/(gain) on financial liabilities designated at fair value through profit or loss | 5 | 62,033,676 | (6,642,155) |
| *Movements in working capital* | | | |
| Increase in other receivables | 9 | (2,500) | (27,500) |
| **Net cash used in operating activities** | | - | (15,000) |
| **Cash flows from investing activities** | | | |
| Purchase of inventories | 10 | (1,431,472,615) | (1,419,708,778) |
| Proceeds from disposal of inventories | 10 | 504,901,542 | 667,175,733 |
| **Net cash used in investing activities** | | (926,571,073) | (752,533,045) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of financial liabilities designated at fair value through profit or loss | 11 | 1,431,472,615 | 1,419,708,778 |
| Redemption of financial liabilities designated at fair value through profit or loss | 11 | (504,901,542) | (667,175,733) |
| **Net cash generated from financing activities** | | 926,571,073 | 752,533,045 |
| **Decrease in cash and cash equivalents** | | - | (15,000) |
| Cash and cash equivalents at start of the year | | 2 | 15,002 |
| **Cash and cash equivalents at end of the year** | 8 | 2 | 2 |

The notes on pages 12 to 24 form an integral part of the financial statements.

**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 Company has no direct employees.

The ETC Securities are listed on various exchanges, including London, Switzerland and Milan 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 2012; the comparative information for the year ended 31 December 2011 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; 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(g, h) and 15.

**(c) Functional and presentation 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 Euro ("EUR"). Hence, the directors believe that the functional and the presentation currency should be EUR as EUR most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company.

**(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 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(g),3(h) "Financial instruments" and note 14 and 15 to the financial statements.

**Key sources of estimation uncertainty**

*Determining fair values*

The determination of fair value for financial liabilities is described in note 15 "Fair values". For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**2 Basis of preparation (continued)**

**(e) Changes in accounting standards**

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

*Applicable new standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted*

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 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 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013, 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 IFRS. The directors believe that the adoption of IFRS 13 will clarify the fair value measurement principles as applied to the Company's inventories. However, this is not expected to affect the profit and loss or equity of the Company.

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.

**3 Significant accounting policies**

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency at the dates 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 Statement of Comprehensive income.

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 other fair value gains and losses.

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

Net fair value gain/ (loss) on inventories relates to movement in 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 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(g)).

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

Net fair value (loss)/ gain 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 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(h)).

**(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.

**3 Significant accounting policies (continued)**

**(f) Taxation**

Profits arising in the Company are subject to tax at the rate of 0%.

**(g) Inventories**

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

*Valuation of inventories*

The gold is recorded at market value using the AM fix on 31 December 2012 quoted by the London Bullion Market Association. The AM fix on 31 December 2012 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 market value using the fix on 31 December 2012 quoted by the London Bullion Market Association. The fix on 31 December 2012 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 market value using the AM fix on 31 December 2012 quoted by the London Platinum and Palladium Market. The AM fix on 31 December 2012 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.

The palladium is recorded at market value using the AM fix on 31 December 2012 quoted by the London Platinum and Palladium Market. The AM fix on 31 December 2012 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 market value using the fix on 31 December 2012 quoted by Comdaq. The fix on 31 December 2012 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. The product fees are accrued on a daily basis.

**(h) 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 assets and liabilities are recognised on the date they are originated.

Financial liabilities at fair value through profit or loss are measured at fair value.

*Classification*

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

**3 Significant accounting policies (continued)**

**(h) Financial instruments (continued)**

*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.

*Fair value measurement principles*

Quoted prices are 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 2012 and 2011 as these prices most accurately reflect the obligations of the Company under the terms of the Series Issue Deeds.

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.

**(i) Other receivables**

Other receivables are accounted for at amortised cost.

**(j) Cash and cash equivalents**

Cash and cash equivalents include cash held at banks and other short-term highly liquid investments with maturities of less than three months at acquisition, 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.

**(k) Other payables**

Other payables are accounted for at amortised cost.

**(l) 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.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2012**

**3 Significant accounting policies (continued)**

**(m) 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 today 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, Statement of comprehensive income and note 14(b).

| 4 Net fair value gain/ (loss) on inventories | Year ended 31-Dec-12 EUR | Year ended 31-Dec-11 EUR |
|---|---|---|
| Net fair value gain/ (loss) on inventories | 62,033,676 | (7,577,082) |
| | 62,033,676 | (7,577,082) |

| 5 Net fair value (loss)/ gain on financial liabilities designated at fair value through profit or loss | Year ended 31-Dec-12 EUR | Year ended 31-Dec-11 EUR |
|---|---|---|
| Net fair value (loss)/ gain on ETC Securities | (62,033,676) | 6,642,155 |
| | (62,033,676) | 6,642,155 |

| 6 Other income | Year ended 31-Dec-12 EUR | Year ended 31-Dec-11 EUR |
|---|---|---|
| Corporate benefit | 2,500 | 12,500 |
| | 2,500 | 12,500 |

The corporate benefits are receivable from the Arranger, Deutsche Bank AG, London Branch and represent the Company's profit as a result of entering into the Secured ETC Precious Metal Securities Programme.

**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%.

| 8 Cash and cash equivalents | 31-Dec-12 EUR | 31-Dec-11 EUR |
|---|---|---|
| Cash at bank | 2 | 2 |
| | 2 | 2 |

The Company's cash at bank is held with Ogier Corporate Trustee (Jersey) Limited.

| 9 Other receivables | 31-Dec-12 EUR | 31-Dec-11 EUR |
|---|---|---|
| Corporate benefit receivable due from Arranger | 30,000 | 27,500 |
| | 30,000 | 27,500 |

**Notes to the financial statements (continued)**
**For the year ended 31 December 2012**

## 10 Inventories held at fair value

| | 31-Dec-12 EUR | 31-Dec-11 EUR |
|---|---|---|
| Inventories | 2,453,380,431 | 1,464,775,682 |

**Movement in inventories**

| | 31-Dec-12 EUR | 31-Dec-11 EUR |
|---|---|---|
| At beginning of the year | 1,464,775,682 | 719,819,719 |
| Additions during the year | 1,431,472,615 | 1,419,708,778 |
| Disposals during the year | (504,901,542) | (667,175,733) |
| Net changes in fair value during the year | 62,033,676 | (7,577,082) |
| At end of the year | 2,453,380,431 | 1,464,775,682 |

## 11 Financial liabilities designated at fair value through profit or loss

| | 31-Dec-12 | | 31-Dec-11 | |
|---|---|---|---|---|
| | Nominal units issued | Fair value Amount EUR | Nominal units issued | Fair value Amount EUR |
| ETC Securities issued | 21,064,000 | 2,453,380,431 | 12,404,500 | 1,464,775,682 |

**Movement in financial liabilities**

| | 31-Dec-12 EUR | 31-Dec-11 EUR |
|---|---|---|
| At beginning of the year | 1,464,775,682 | 718,884,792 |
| Issue of financial liabilities | 1,431,472,615 | 1,419,708,778 |
| Redemption of financial liabilities | (504,901,542) | (667,175,733) |
| Net changes in fair value during the year | 62,033,676 | (6,642,155) |
| At end of year | 2,453,380,431 | 1,464,775,682 |

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.

The financial liabilities in issue at 31 December 2012 are as follows:

| Series | Description | CCY | Maturity | 31-Dec-12 Units Outstanding | NAV per unit (CCY) | 31-Dec-12 Fair value EUR |
|---|---|---|---|---|---|---|
| Series 1 | db Physical Gold ETC | USD | 15-Jun-60 | 2,480,000 | 165.16 | 310,470,619 |
| Series 2 | db Physical Gold Euro Hedged ETC | EUR | 15-Jun-60 | 9,225,000 | 131.49 | 1,213,002,205 |
| Series 3 | db Physical Silver ETC | USD | 15-Jun-60 | 275,000 | 296.04 | 61,709,210 |
| Series 4 | db Physical Silver Euro Hedged ETC | EUR | 15-Jun-60 | 425,000 | 229.85 | 97,684,472 |
| Series 5 | db Physical Platinum ETC | USD | 15-Jun-60 | 465,000 | 150.59 | 53,079,995 |
| Series 6 | db Physical Platinum Euro Hedged ETC | EUR | 15-Jun-60 | 260,000 | 115.30 | 29,978,432 |
| Series 7 | db Physical Palladium ETC | USD | 15-Jun-60 | 720,000 | 69.12 | 37,721,390 |
| Series 8 | db Physical Palladium Euro Hedged ETC | EUR | 15-Jun-60 | 240,000 | 51.98 | 12,474,904 |
| Series 9 | db Physical Gold ETC | EUR | 15-Jun-60 | 4,135,000 | 125.02 | 516,969,430 |
| Series 10 | db Physical Silver ETC | EUR | 15-Jun-60 | 200,000 | 224.75 | 44,949,741 |
| Series 11 | db Physical Rhodium ETC | USD | 19-May-61 | 314,000 | 106.33 | 25,306,832 |
| Series 12 | db Physical Rhodium ETC (EUR) | EUR | 19-May-61 | 220,000 | 80.60 | 17,733,067 |
| Series 13 | db Physical Gold GBP Hedged ETC | GBP | 19-May-61 | 1,985,000 | 10.24 | 25,037,178 |
| Series 14 | db Physical Silver GBP Hedged ETC | GBP | 19-May-61 | 75,000 | 18.06 | 1,668,574 |
| Series 15 | db Physical Gold SGD Hedged ETC | SGD | 19-May-61 | 30,000 | 196.59 | 3,659,468 |
| Series 16 | db Physical Gold CHF Hedged ETC | CHF | 05-Dec-62 | 15,000 | 155.79 | 1,934,915 |
| | | | | 21,064,000 | | 2,453,380,431 |

**Notes to the financial statements (continued)**
**For the year ended 31 December 2012**

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

The financial liabilities in issue at 31 December 2011 are as follows:

| Series | Description | CCY | Maturity | 31-Dec-11 Units outstanding | NAV per unit (CCY) | 31-Dec-11 Fair value EUR |
|---|---|---|---|---|---|---|
| Series 1 | db Physical Gold ETC | USD | 15-Jun-60 | 1,115,000 | 152.41 | 131,087,097 |
| Series 2 | db Physical Gold Euro Hedged ETC | EUR | 15-Jun-60 | 6,050,000 | 122.95 | 743,821,055 |
| Series 3 | db Physical Silver ETC | USD | 15-Jun-60 | 360,000 | 279.82 | 77,708,180 |
| Series 4 | db Physical Silver Euro Hedged ETC | EUR | 15-Jun-60 | 325,000 | 221.23 | 71,898,881 |
| Series 5 | db Physical Platinum ETC | USD | 15-Jun-60 | 485,000 | 134.50 | 50,320,066 |
| Series 6 | db Physical Platinum Euro Hedged ETC | EUR | 15-Jun-60 | 260,000 | 104.49 | 27,166,274 |
| Series 7 | db Physical Palladium ETC | USD | 15-Jun-60 | 125,000 | 62.58 | 6,034,362 |
| Series 8 | db Physical Palladium Euro Hedged ETC | EUR | 15-Jun-60 | 190,000 | 47.89 | 9,099,964 |
| Series 9 | db Physical Gold ETC | EUR | 15-Jun-60 | 2,350,000 | 117.49 | 276,092,169 |
| Series 10 | db Physical Silver ETC | EUR | 15-Jun-60 | 195,000 | 216.48 | 42,213,209 |
| Series 11 | db Physical Rhodium ETC | USD | 19-May-61 | 66,500 | 135.19 | 6,935,240 |
| Series 12 | db Physical Rhodium ETC (EUR) | EUR | 19-May-61 | 103,000 | 104.48 | 10,761,214 |
| Series 13 | db Physical Gold GBP Hedged ETC | GBP | 19-May-61 | 685,000 | 9.52 | 7,822,172 |
| Series 14 | db Physical Silver GBP Hedged ETC | GBP | 19-May-61 | 75,000 | 17.25 | 1,552,227 |
| Series 15 | db Physical Gold SGD Hedged ETC | SGD | 19-May-61 | 20,000 | 190.22 | 2,263,572 |
| | | | | 12,404,500 | | 1,464,775,682 |

*Movement in fair values by Series for the year ended 31 December 2012*

| Series | Description | Opening balance EUR | Issuances EUR | Redemptions 31-Dec-12 EUR | Net changes in fair values EUR | Closing balance 31-Dec-12 EUR |
|---|---|---|---|---|---|---|
| Series 1 | db Physical Gold ETC | 131,087,097 | 200,539,523 | (18,362,145) | (2,793,856) | 310,470,619 |
| Series 2 | db Physical Gold Euro Hedged ETC | 743,821,055 | 577,598,054 | (148,310,913) | 39,894,009 | 1,213,002,205 |
| Series 3 | db Physical Silver ETC | 77,708,180 | 80,180,322 | (105,540,289) | 9,360,998 | 61,709,210 |
| Series 4 | db Physical Silver Euro Hedged ETC | 71,898,881 | 39,256,063 | (18,020,422) | 4,549,949 | 97,684,472 |
| Series 5 | db Physical Platinum ETC | 50,320,066 | 7,123,907 | (9,401,483) | 5,037,505 | 53,079,995 |
| Series 6 | db Physical Platinum Euro Hedged ETC | 27,166,274<br>- | - | - | 2,812,158 | 29,978,432 |
| Series 7 | db Physical Palladium ETC | 6,034,362 | 29,674,702 | - | 2,012,326 | 37,721,390 |
| Series 8 | db Physical Palladium Euro Hedged ETC | 9,099,964<br>- | 6,465,984 | (3,654,870) | 563,826 | 12,474,904 |
| Series 9 | db Physical Gold ETC | 276,092,169 | 397,109,347 | (159,755,733) | 3,523,647 | 516,969,430 |
| Series 10 | db Physical Silver ETC | 42,213,209 | 38,587,981 | (41,855,686) | 6,004,237 | 44,949,741 |
| Series 11 | db Physical Rhodium ETC | 6,935,240 | 24,274,035 | - | (5,902,443) | 25,306,832 |
| Series 12 | db Physical Rhodium ETC (EUR) | 10,761,214 | 10,618,913 | - | (3,647,060) | 17,733,067 |
| Series 13 | db Physical Rhodium ETC (EUR) | 7,822,172 | 16,818,023 | - | 396,983 | 25,037,178 |
| Series 14 | db Physical Rhodium ETC (EUR) | 1,552,227 | - | - | 116,347 | 1,668,574 |
| Series 15 | db Physical Rhodium ETC (EUR) | 2,263,572 | 1,250,800 | - | 145,096 | 3,659,468 |
| Series 16 | db Physical Rhodium ETC (EUR) | - | 1,974,962 | - | (40,047) | 1,934,915 |
| | | 1,464,775,682 | 1,431,472,615 | (504,901,542) | 62,033,676 | 2,453,380,431 |

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

*Movement in fair values by Series for the year ended 31 December 2011*

| Series | Description | Opening balance EUR | Issuances EUR | Redemptions 31-Dec-11 EUR | Net changes in fair values EUR | Closing balance 31-Dec-11 EUR |
|---|---|---|---|---|---|---|
| Series 1 | db Physical Gold ETC | 134,854,501 | 33,084,593 | (47,568,170) | 10,716,173 | 131,087,097 |
| Series 2 | db Physical Gold Euro Hedged ETC | 290,496,000 | 736,254,772 | (305,434,018) | 22,504,301 | 743,821,055 |
| Series 3 | db Physical Silver ETC | 62,525,359 | 62,178,903 | (38,629,178) | (8,366,904) | 77,708,180 |
| Series 4 | db Physical Silver Euro Hedged ETC | 78,432,000 | 80,789,248 | (78,768,017) | (8,554,350) | 71,898,881 |
| Series 5 | db Physical Platinum ETC | 9,180,215 | 58,181,128 | (6,636,562) | (10,404,715) | 50,320,066 |
| Series 6 | db Physical Platinum Euro Hedged ETC | 21,374,500 | 53,728,824 | (37,691,022) | (10,246,028) | 27,166,274 |
| Series 7 | db Physical Palladium ETC | 14,854,217 | 6,204,104 | (14,165,963) | (857,996) | 6,034,362 |
| Series 8 | db Physical Palladium Euro Hedged ETC | 17,376,800 | 5,060,255 | (9,577,506) | (3,759,585) | 9,099,964 |
| Series 9 | db Physical Gold ETC | 68,913,000 | 306,016,116 | (108,458,810) | 9,621,863 | 276,092,169 |
| Series 10 | db Physical Silver ETC | 20,878,200 | 35,447,640 | (12,229,514) | (1,883,117) | 42,213,209 |
| Series 11 | db Physical Rhodium ETC | - | 8,770,630 | - | (1,835,390) | 6,935,240 |
| Series 12 | db Physical Rhodium ETC (EUR) | - | 14,055,906 | - | (3,294,692) | 10,761,214 |
| Series 13 | db Physical Rhodium ETC (EUR) | - | 12,323,806 | (4,910,674) | 409,040 | 7,822,172 |
| Series 14 | db Physical Rhodium ETC (EUR) | - | 5,309,033 | (3,106,299) | (650,507) | 1,552,227 |
| Series 15 | db Physical Rhodium ETC (EUR) | - | 2,303,821 | - | (40,249) | 2,263,572 |
| | | 718,884,793 | 1,419,708,779 | (667,175,733) | (6,642,156) | 1,464,775,682 |

**12 Share capital – equity**

| | 31-Dec-12 | 31-Dec-11 |
|---|---|---|
| *Authorised:* | GBP | GBP |
| 10,000 ordinary shares of GBP 1 each | 10,000 | 10,000 |
| *Issued and fully paid* | EUR | EUR |
| 2 ordinary shares of GBP 1 each | 2 | 2 |
| | 2 | 2 |

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

| | 31-Dec-12 GBP | 31-Dec-11 GBP |
|---|---|---|
| Ogier Nominees (Jersey) Limited | 1 | 1 |
| Reigo Nominees (Jersey) Limited | 1 | 1 |
| | 2 | 2 |

The authorised share capital of the Company is GBP 10,000 which has been fully issued and unpaid. 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 and cash flow 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.

### (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 financials instruments will fluctuate as a result of a change in interest rates. The ETC Securities do not bear interest. As such, the Company and ETC Securities holders have limited exposure to interest rate risk.

*(ii) Currency risk*

Currency risk is the risk which arises where the assets and liabilities of the Company that are denominated in currencies other than its functional currency, those assets and liabilities being denominated in US Dollars (USD), Pound Sterling (GBP) Singapore Dollar (SGD) and Swiss Franc (CHF).

The Company is not exposed to 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:

| **31-Dec-12** | **USD EUR** | **GBP EUR** | **SGD EUR** | **CHF EUR** | **Total EUR** |
|---|---|---|---|---|---|
| Inventories | 488,288,046 | 26,705,752 | 3,659,469 | 1,934,915 | 520,588,182 |
| **Total assets** | 488,288,046 | 26,705,752 | 3,659,469 | 1,934,915 | 520,588,182 |
| Financial liabilities designated at fair value through profit or loss | (488,288,046) | (26,705,752) | (3,659,469) | (1,934,915) | (520,588,182) |
| **Total liabilities** | (488,288,046) | (26,705,752) | (3,659,469) | (1,934,915) | (520,588,182) |
| **Net exposure** | - | - | - | - | - |

| **31-Dec-11** | **USD EUR** | **GBP EUR** | **SGD EUR** | **CHF EUR** | **Total EUR** |
|---|---|---|---|---|---|
| Inventories | 272,084,945 | 9,374,399 | 2,263,573 | - | 283,722,917 |
| **Total assets** | 272,084,945 | 9,374,399 | 2,263,573 | - | 283,722,917 |
| Financial liabilities designated at fair value through profit or loss | (272,084,945) | (9,374,399) | (2,263,573) | - | (283,722,917) |
| **Total liabilities** | (272,084,945) | (9,374,399) | (2,263,573) | - | (283,722,917) |
| **Net exposure** | - | - | - | - | - |

**Notes to the financial statements (continued)**
**For the year ended 31 December 2012**

**14 Financial risk management (continued)**

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

*(ii) Currency risk (continued)*

The following exchange rates have been applied during the year:

| | Average rate - year ended | | Closing rate | |
|---|---|---|---|---|
| | **31-Dec-12** | **31-Dec-11** | **31-Dec-12** | **31-Dec-11** |
| USD-EUR | 0.76470 | 0.71890 | 0.7580 | 0.77140 |
| GBP-EUR | 1.21581 | 1.15264 | 1.2317 | 1.19992 |
| SGD-EUR | 0.60775 | 0.58860 | 0.6205 | 0.59500 |
| CHF-EUR | 0.82492 | 0.81261 | 0.8280 | 0.82183 |

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

*(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 holding the relevant quantities of inventory 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 Statement of comprehensive income 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 Securities 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.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 31-Dec-12 | 31-Dec-11 |
|---|---|---|
| | EUR | EUR |
| Other receivables | 30,000 | 27,500 |
| Cash and cash equivalents | 2 | 2 |
| | 30,002 | 27,502 |

As at 31 December 2012, no financial assets carried at amortised cost were past due or impaired (2011:Nil). Assets that have been pledged as collateral for financial liabilities are disclosed in the Directors Report.

The directors have also considered the credit risk and counterparty risk with JP Morgan and Johnson Matthey as sub-custodians of the inventories held by the Company given the significance of the inventories to the overall financial position of the Company. As at 31 December 2012, the Company held inventories with a fair value of EUR 2,453,380,431 (2011: EUR 1,464,775,682).

The directors have engaged an independent professional to carry out an annual review of the quantity and quality of the metal held by JP Morgan for the Company.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2012**

**14 Financial risk management (continued)**

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

*Concentration risk*

At the reporting date, the Company's financial assets held at fair value were concentrated in the following asset types and geographical location:

| By industry | 31-Dec-12 | 31-Dec-11 |
|---|---|---|
| **Types of collaterals** | % | % |
| Investment in Metals (Inventories) | 100 | 100 |
| | 100 | 100 |

| By Geographical location | 31-Dec-12 | 31-Dec-11 |
|---|---|---|
| **Country of origin** | % | % |
| United Kingdom | 100 | 100 |
| | 100 | 100 |

*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:

| | Short term ratings | Long term ratings |
|---|---|---|
| Moody | P-1 | A2 |
| Standard & Poor's | A-1 | A+ |
| Fitch | F1+ | A+ |

**(c) Liquidity and cash flow risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company limits its exposure to liquidity risk through the purchase of inventory. All liquidity risk associated with the inventories are ultimately borne by the ETC Securities holders.

The following are the contractual maturities of financial liabilities as at 31 December 2012:

| 31-Dec-12 | Carrying amount | Gross contractual cash flows | Less than one year |
|---|---|---|---|
| | EUR | EUR | EUR |
| Financial liabilities designated at fair value through profit or loss | (2,453,380,431) | (2,453,380,431) | (2,453,380,431) |
| | (2,453,380,431) | (2,453,380,431) | (2,453,380,431) |

The following are the contractual maturities of financial liabilities as at 31 December 2011:

| 31-Dec-11 | Carrying amount | Gross contractual cash flows | Less than one |
|---|---|---|---|
| | EUR | EUR | EUR |
| Financial liabilities designated at fair value through profit or loss | (1,464,775,682) | (1,464,775,682) | (1,464,775,682) |
| | (1,464,775,682) | (1,464,775,682) | (1,464,775,682) |

Due to the fact that the ETC Securities holders have the option to redeem the securities before the 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.

14 **Financial risk management (continued)**

(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.

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(g) of 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(h). 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.

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 2012, the carrying amounts of financial liabilities issued by the Company are as follows:

| | 31-Dec-12 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | |
| | **Quoted price in active market EUR** | **Valuation technique observable parameters EUR** | **Valuation technique unobservable parameters EUR** | **Total EUR** |
| Financial liabilities designated at fair value through profit or loss | - | (2,453,380,431) | - | (2,453,380,431) |
| | - | (2,453,380,431) | - | (2,453,380,431) |

| | 31-Dec-11 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | |
| | **Quoted price in active market EUR** | **Valuation technique observable parameters EUR** | **Valuation technique unobservable parameters EUR** | **Total EUR** |
| Financial liabilities designated at fair value through profit or loss | - | (1,464,775,682) | - | (1,464,775,682) |
| | - | (1,464,775,682) | - | (1,464,775,682) |

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 2012**

**16 Classification of financial instruments**

| | Carrying value EUR 31-Dec-12 | Fair value EUR 31-Dec-12 | Carrying value EUR 31-Dec-11 | Fair value EUR 31-Dec-11 |
|---|---|---|---|---|
| *At fair value* | | | | |
| Financial liabilities designated at fair value through profit or loss | (2,453,380,431) | (2,453,380,431) | (1,464,775,682) | (1,464,775,682) |
| | (2,453,380,431) | (2,453,380,431) | (1,464,775,682) | (1,464,775,682) |
| *At amortised cost* | | | | |
| Cash and cash equivalents | 2 | 2 | 2 | 2 |
| Other receivables | 30,000 | 30,000 | 27,500 | 27,500 |
| | 30,002 | 30,002 | 27,502 | 27,502 |

**17 Related Party Transactions**

Ogier Corporate Director (Jersey) 3 Limited and 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. Both are part of the Ogier group of companies. No fee was charged or paid to the Ogier Group during the year under review by the Company for the provision of directors. As disclosed in note 3(e), all expenses of the Company are borne by the Arranger, Deutsche Bank AG, London Branch.

On 24 September 2012, Ed Fletcher resigned as director of the Company and was replaced by Peter Becker on the same date. Alan Booth also resigned on that date as alternate director to Ed Fletcher. Alan Booth was appointed as alternate director to Peter Becker on 30 October 2012.

Peter Becker, acting as director for the Company and Alan Booth, as alternate director for Peter Becker are employees 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.

As at 31 December 2012, corporate benefit fees amounting to EUR 30,000 (2011: EUR 27,500) were receivable from Deutsche Bank AG, London Branch.

Product fees accrued for the year ended 31 December 2012 due to Deutsche Bank AG in its capacity as Arranger amounted to EUR 9,697,695 (2011: EUR 6,410,216). The amount payable as at 31 December 2012 was EUR Nil (2011: EUR Nil).

As at 31 December 2012, the number of ETC Securities held by Deutsche Bank AG, London Branch, as authorised participant was 1,983,481 units (EUR 174,992,218) (2011: EUR 58,481,467 for 603,894 units).

**18 Ultimate controlling party**

The directors of the Company consider Ogier 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.

Peter Becker, Alan Booth and Ed Fletcher (who resigned on 24 September 2012) are employees of Deutsche Bank International Limited. Their emoluments are paid by Deustche 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 their emoluments in respect of the Company.

**20 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.