ETFS FOREIGN EXCHANGE LIMITED

Registered No: 103518

Report and Financial Statements for the Year ended 31 December 2010

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MANAGEMENT AND ADMINISTRATION

Directors

Mr Graham J Tuckwell – Chairman
Mr Graeme D Ross
Mr Craig A Stewart
Mr Thomas K Quigley

Administrator and Company Secretary

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Registered Office

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Registrar

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Manager

ETF Securities Limited
(up to 31 December 2010)
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ETFS Management Company (Jersey) Limited
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Trustee

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The directors of ETFS Foreign Exchange Limited ("FXL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2010.

Directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Graham J Tuckwell - Chairman	
Mr Greg J Burgess	(resigned 3 September 2010)
Mr Graeme D Ross	
Mr Craig A Stewart	
Mr Thomas K Quigley	(appointed 5 October 2010)

Principal Activities

The Company's principal activity is to issue collateralised currency securities ("Currency Securities"). Currency Securities provide investors with long or short exposure to the daily foreign exchange performance of developed and emerging market currencies measured against the US Dollar the Euro or GBP. This is achieved by the Currency Securities tracking published currency indices. The price of the Currency Securities is calculated on a daily basis to reflect the change in the relevant currency index and takes into account the payment of a Management Fee and a Daily Spread. The Currency Securities are denominated in either USD, Euro or GBP.

Currency Securities are backed by unfunded currency transactions ("Currency Transactions") with terms corresponding to the terms of Currency Securities. Each time Currency Securities are issued or redeemed, matching Currency Transactions between the Company and a Currency Transaction Counterparty are created or cancelled by the Company. A Daily Payment Amount will be calculated in respect of each Currency Transaction on each day to reflect the movement in the relevant currency index and this amount will be payable by either the Company or the Currency Transaction Counterparty. All other cash held by the Company linked to Currency Transactions entered with a Currency Transaction Counterparty will be used to enter into a USD or Euro denominated Daily Repurchase Transactions with such party in exchange for Eligible Collateral on the terms described in the Company's prospectus.

The Company has entered into a Facility Agreement with Morgan Stanley & Co. International plc ("Morgan Stanley"), currently the only Currency Transaction Counterparty, enabling the Company to create and cancel Currency Transactions on an ongoing basis.

The Company had entered into a service agreement with, ETF Securities Limited ("ETFSL"), whereby ETFSL was responsible for any advisory or consultancy services required by the Company, including advertising and all costs relating to the listing and issuance of securities. In return for which the Company pays ETFSL an amount equal to the Management Fee charge levied by the Company on the Currency Securities in issue. As part of a Group restructuring exercise the directors agreed to transfer the management responsibilities of the Company on 1 January 2011 from ETFSL to ETFS Management Company (Jersey) Limited ("ManJer"). ManJer advised that it was willing to continue to provide the services previously provided by ETFSL to the Company. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

Review of Operations

As at 31 December 2010, there were 74 separate classes of Currency Securities in issue and related assets under management amounted to USD 282.1 million (2009: USD 31.9 million). The Company recognises its financial assets (Currency Transactions) and liabilities (Currency Securities) at fair value in the statement of financial position.

During the year, the Company generated income from creation and redemption fees and management fees as follows:

	2010 USD	2009 USD
Management Fees	551,320	8,510
Creation and Redemption Fees	45,137	5,714
Total Fee income	596,457	14,224

Under the terms of the Administration Service Deed Poll with ETF Securities Limited ("ETFSL"), the Company accrued expenses equal to the Management Fee, which, after taking into account other operating income and expenses, resulted in an operating profit of:

	2010 USD	2009 USD
Operating Profit for the Year/ Period	44,324	5,622

The gain or loss on Currency Securities and Currency Transactions is recognised in the statement of comprehensive income in line with the Company's accounting policy, these gains or losses offset each other.

The Company's exposure to risk is discussed in note 12 to the accounts.

Future Developments

The Company is in the process of creating additional Currency Securities, including Euro, Dollar and Sterling baskets. The directors expect that these securities will begin trading during 2011.

Dividends

The Company has declared dividends for 2010 of USD 21,465 (2009: nil). It is the Company's policy that dividends will only be declared when the directors are of the opinion that there are sufficient distributable reserves.

Employees

The Company does not have any employees. It is the Company's policy to use the services of specialist subcontractors or consultants as far as possible.

Directors' Interests

The following table sets out the only director's interests in Ordinary shares as at the date of this report:

	Ordinary Shares of Nil Par Value
Graham J Tuckwell (as controlling party of ETFSL)	2

Auditors

A resolution to reappoint Deloitte LLP as the auditors of the Company will be proposed at the next meeting of the directors.

On behalf of the Directors

Corporate Governance

There is no standard code of corporate governance in Jersey. The operations, as previously described in the Directors' report are such that the Directors do not consider the Company is required to voluntarily apply the UK Corporate Governance Code.

As the Board is small there is no Nomination Committee and appointments of new Directors are considered by the Board as a whole. The Board does not consider it appropriate that Directors should be appointed for a specific term. Furthermore the structure of the Board is such that it is considered unnecessary to identify a senior non-executive Director.

The constitution of the Board is disclosed above. The Directors are either members of Board of the Parent Company or members of the Board of the Company's administrator, R&H Fund Services Limited, and will continue to have such a composition of Directors beyond the forthcoming Annual General Meeting.

The Board of Directors meet as is required by the operations of the Company, but at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review.

Directors' Remuneration

No Director has a service contract with the Company and details of the Directors remuneration which has been paid by ETFSL on behalf of the Company is disclosed below.

	2010 Fees GBP	2009 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (resigned 3 September 2010)	Nil	Nil
Mr Graeme D Ross	5,000	2,500
Mr Craig A Stewart	5,000	2,500
Mr Thomas K Quigley (appointed 5 October 2010)	Nil	Nil

Internal Control

During the year the Company did not have any employees or subsidiaries, and there is no intention that this will change. The Company, being a special purpose company established for the purpose of issuing ETFS Foreign Securities, has not undertaken any business, save for issuing and redeeming ETFS Foreign Securities, entering into the Documents and performing the obligations and exercising its rights in relation thereto, since its incorporation. The Company does not intend to undertake any business other than issuing and redeeming ETFS Foreign Securities and performing the obligations and exercising its rights in relation thereto.

The Company was dependent upon ETFSL to provide management and administration services to it. ETFSL has outsourced the administration services to a regulated service provider in Jersey, R&H Fund Services (Jersey) Limited. Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them.

ETFSL promotes and provides management and other services to both the Company and other companies issuing commodity based securities. As noted above the existing service agreement was novated from ETFSL to a subsidiary of ETFSL, ManJer on 1 January 2011. This change will not impact the nature of the operations of the Company, and the Directors do not consider that the change will impact the governance or internal control environment of the Company.

The Board having reviewed the effectiveness of the internal control systems of the manager, and having a regard to the role of its external auditors, does not consider that there is a need for the Company to establish its own internal audit function.

Audit Committee

The Board has not established a separate Audit Committee; instead the Board has met to consider the financial reporting by the Company, the internal controls, and relations with the external auditors. In addition the Board reviews the independence and objectivity of the auditors.

Graeme D Ross
Director
Jersey
26 April 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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 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.

By order of the Board

Graeme D Ross
Director

26 April 2011

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of ETFS Foreign Exchange Limited for the year ended 31 December 2010 which comprises the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in shareholders' equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

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 auditor

As explained more fully in the Statement of Directors' Responsibilities, 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.

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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with 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:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

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Andrew Isham
For and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditors
St. Helier, Jersey

26 April 2011

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2010 USD	Period from 1 July 2009 to 31 December 2009 USD
Revenue	2	596,457	14,224
Expenses			
Fees to ETFSL	2	(551,320)	(8,510)
Other Operating Expense		(813)	(92)
Operating Profit	2	44,324	5,622
Net Gain Arising on Fair Value of Currency Transactions	7	10,554,410	579,065
Net Loss Arising on Fair Value of Currency Securities	8	(10,554,410)	(579,065)
Profit and Total Comprehensive Income for the Year/ Period		44,324	5,622

The directors consider the Company's activities are continuing.

The notes on pages 12 to 18 form part of these financial statements

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 USD	As at 31 December 2009 USD
Current Assets			
Cash and Cash Equivalents		2	-
Trade and Other Receivables	6	588,312	14,135
Currency Contracts	7	282,117,870	31,853,689
Amounts Receivable Awaiting Settlement	7,8	409,742	-
Total Assets		**283,115,926**	**31,867,824**
Current Liabilities			
Currency Securities	8	282,117,870	31,853,689
Amounts Payable Awaiting Settlement	7,8	409,742	-
Trade and Other Payables	9	559,830	8,510
Total Liabilities		283,087,442	31,862,199
Equity			
Stated Capital	10	3	3
Retained Profits		28,481	5,622
Total Equity		28,484	5,625
Total Equity and Liabilities		**283,115,926**	**31,867,824**

The financial statements on pages 8 to 18 were approved by the board of directors and signed on its behalf on 26 April 2011

Graeme D Ross
Director

The notes on pages 12 to 18 form part of these financial statements

STATEMENT OF CASH FLOWS

	Year ended 31 December 2010 USD	Period from 1 July 2009 to 31 December 2009 USD
Cash Flows from Operating Activities		
Cash Receipts from Operations	22,280	-
Net Proceeds from Issue of Securities	261,228,332	31,274,624
Net Payments for Dealing in Currency Transactions	(261,228,332)	(31,274,624)
Cash Generated from Operations	22,280	-
Bank Interest Received	2	-
Bank Charges Paid	(55)	-
Net Cash Used in Operating Activities	(53)	-
Cash Flows from Financing Activities		
Dividends Paid	(21,465)	-
Net Cash Used in Financing Activities	(21,465)	-
Net Increase in Cash and Cash Equivalents	762	-
Cash and Cash Equivalents at the Beginning of the Year/ Period	-	-
Net Increase in Cash and Cash Equivalents	762	-
Exchange Adjustment	(760)	
Cash and Cash Equivalents at the End of the Year/ Period	2	-

The notes on pages 12 to 18 form part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Stated Capital USD	Retained Earnings USD	Total Equity USD
Shares Issued in the Period	3	-	3
Total Comprehensive Income for the Period	-	5,622	5,622
Balance at 31 December 2009	3	5,622	5,625

	Stated Capital USD	Retained Earnings USD	Total Equity USD
Opening Balance at 1 January 2010	3	5,622	5,625
Total Comprehensive Income for the Year	-	44,324	44,324
Dividends	-	(21,465)	(21,465)
Balance at 31 December 2010	3	28,481	28,484

The notes on pages 12 to 18 form part of these financial statements

1. Accounting Policies

The main accounting policies of the Company are described below.

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The presentation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these financial statements is in respect of the valuation of Currency Transactions and Currency Securities held at fair value through the profit or loss as disclosed note 8.

(a) *Standards, amendments and interpretations effective on 1 January 2010:*

- Various improvements to IFRSs (effective 1 July 2009 or 1 January 2010)
- IFRIC 17 'Distributions of non-cash assets to owners (effective 1 July 2009)

The adoption of the improvements and interpretation resulted to additional disclosures but did not have an impact on the Company's financial position or performance.

(b) *Standards, amendments and interpretations effective on 1 January 2010 but not relevant to the Company:*

- IFRS 1 'Revisions to IFRS on first-time adoption of IFRS' (effective 1 July 2009) and 'Additional exemptions for first-time adopters'
- IFRS 2 'Group cash-settled share based payments'
- IFRS 3 (2008) and IAS 27 (2008) 'Business combinations: consolidated and separate financial statements' (effective 1 July 2009)
- IAS 39 'Eligible Hedged Items' (effective 1 July 2009)
- IFRIC 18 'Transfers of assets from customers' (transfers received on or after 1 July 2009)

(c) *Standards, amendments and interpretations that are not yet effective:*

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' (effective 1 July 2011)
- IFRS 9 (as amended in 2010) 'Financial Instruments' (effective 1 January 2013)
- IAS 24 (revised in 2009) 'Related Party Disclosures' (effective 1 January 2013)
- Amendments to IAS 32 'Classification of Rights Issues' (effective 1 February 2010)
- Improvements to IFRSs issued in 2010 (Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011)

The directors anticipate that the adoption of these standards in future periods will have no material financial impact. The directors have considered other new and revised standards and they believe that they are not relevant to the Company's activities.

Going Concern

The nature of the Company's business dictates that the outstanding Currency Securities may be at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Currency Securities would coincide with the redemption of an equal amount of Currency Transactions, no liquidity risk is considered to arise. All other liabilities were met by ETFSL and will continue to be met by ManJer; therefore the directors consider the Company to be a going concern and have prepared the financial statements on this basis.

Currency Securities and Currency Transactions

i) Issuance and Redemption

The Company has entered into a Facility Agreement with Morgan Stanley to permit the Company to purchase and redeem Currency Transactions at prices equivalent to Currency Securities issued or redeemed on the same day. Each time a Currency Security is issued or redeemed by the Company a matching number and value of Currency Transactions are purchased or redeemed from Morgan Stanley. The Currency Transactions represent financial assets of the Company and the Currency Securities give rise to financial liabilities.

Financial assets and liabilities are recognised and de-recognised on the trade date.

ii) Pricing

A single price is established for each Currency Security as at the end of each Pricing Day. Currency Securities are priced by reference to the MSFXsm Indices. The Currency Indices are total return indices and are calculated and published by Morgan Stanley. The indices are incorporated in accordance with the MSFXsm Indices Manual.

iii) Designation at fair value through Profit or Loss

Currency Securities in issue and Currency Transactions are designated at fair value through profit or loss upon initial recognition. This is in order to eliminate a measurement mismatch enabling gains or losses on both the Currency Security and Currency Contract to be recorded in the statement of comprehensive income.

Revenue Recognition

Revenue is recognised to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Fees received for the issue and redemption of securities are recognised at the date on which the transaction becomes legally binding. Other income and expenses are recognised on an accruals basis.

Foreign Currency Translation

The presentational and functional currencies of the Company are both USD.

Monetary assets and liabilities denominated in foreign currencies at the year end date are translated at rates ruling at that date. Creation and Redemption fees are translated at the average rate for the quarter in which they are incurred. The resulting differences are accounted for in the statement of comprehensive income.

Segmental Reporting

The Company has not provided segmental information, as the Company has only one business or product group and geographical segment. All information relevant to the understanding of the Company's activities is included in these financial statements.

Interest Income

Interest income is recognised on an accruals basis.

Cash and Cash Equivalents

Cash and Cash Equivalents include deposits held at call with banks.

2. Operating Profit

Operating profit for the year comprised:

	Year ended 31 December 2010 USD	Period from 1 July 2009 to 31 December 2009 USD
Creation and Redemption Fees	45,137	5,714
Management Fees	551,320	8,510
Total Revenue	596,457	14,224
Fees to ETFSL	(551,320)	(8,510)
Finance Charges	(53)	-
Net foreign Exchange Loss	(760)	(92)
Total Operating Expenses	(552,133)	(8,602)
Operating Profit	44,324	5,622

Audit fees for the year of GBP 17,000 (2009: GBP 17,000) will be met by ManJer.

3. Directors' Remuneration

The following table discloses the remuneration of the directors of the Company. All Directors' fees were met by ETFSL.

	Year ended 31 December 2010 GBP	Period from 1 July 2009 to 31 December 2009 GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (resigned 3 September 2010)	Nil	Nil
Mr Graeme D Ross	5,000	2,500
Mr Craig A Stewart	5,000	2,500
Mr Thomas K Quigley (appointed 5 October 2010)	Nil	Nil

4. Taxation

Profits arising in the Company are subject to tax at the rate of zero per cent.

5. Employee Benefits

The Company has no employees and has paid no remuneration or benefits during the year in respect of employees.

6. Trade and Other Receivables

	Year ended 31 December 2010 USD	Period from 1 July 2009 to 31 December 2009 USD
Management Fee	559,830	8,510
Creation and Redemption Fees	28,479	5,622
Unpaid Stated Capital	3	3
	588,312	14,135

7. Currency Transactions

	Year ended 31 December 2010 USD	Period from 1 July 2009 to 31 December 2009 USD
Change in Fair Value for the Year	(10,554,410)	579,065
Currency Contracts	282,117,870	31,853,689

At the year end, there were certain amounts of Currency Transactions awaiting the creation or redemption of securities with trade dates before the year end and settlement dates in the following year. The amount payable on completion of these trades is USD 409,742 (2009: nil).

8. Currency Securities

	Year ended 31 December 2010 USD	Period from 1 July 2009 to 31 December 2009 USD
Change in Fair Value for the Year	(10,554,410)	579,065
Currency Securities	282,117,870	31,853,689

At the year end, there were certain amounts of Currency Transactions awaiting the creation or redemption) of securities with trade dates before the year end and settlement dates in the following year. The amount receivable on completion of these trades is USD 409,742 (31 December 2009: nil).

9. Trade and Other Payables

	Year ended 31 December 2010 USD	Period from 1 July 2009 to 31 December 2009 USD
Fees Payable to ETFSL	559,830	8,510

10. Stated Capital

	31 December 2010 USD	31 December 2009 USD
2 Shares of Nil Value Issued at a Premium of GBP 1 Each	3	3

The Company has an unlimited capital of no par value shares.

All shares issued by the Company carry one vote per share without restriction and carry the right to dividends.

On 22 December 2010 the entire share capital of the Company was transferred from ETFSL to ETFS Holdings (Jersey) Limited ("HoldCo").

11. Related Party Disclosures

The immediate parent Company is HoldCo, a Jersey registered Company. The ultimate beneficiary is Graham J Tuckwell through his shareholding in ETFSL. ETFSL is the parent Company of HoldCo.

Entities which have a significant influence over the Company either through the ownership of HoldCo shares, or by virtue of being a director of the Company, are related parties.

The following balances were due to ETFSL at the year/ period end:

	31 December 2010 USD	31 December 2009 USD
Fees Payable	(559,830)	(8,510)
Stated Capital Receivable	3	3
Net Amounts Due	(559,827)	(8,507)

As disclosed in note 3 above, ETFSL paid directors' fees in respect of the Company of GBP 10,000 (2009: GBP 5,000).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. Graeme D Ross is also a director of Computershare Investor Services (Jersey) Limited, the registrar. During the year, R&H charged ETFSL secretarial and administration fees in respect of the Company of GBP 100,150 (2009: GBP 45,000), of which GBP 25,000 (2009: GBP 22,500) was outstanding at the year end. Computershare charged ETFSL fees in respect of the Company of GBP 80,456 (2009: GBP 8,350), of which GBP 30,165 (2009: GBP 8,350) was outstanding at the year end.

As part of a Group restructuring exercise the directors agreed to transfer the management responsibilities of the Company on 1 January 2011 from ETFSL to ETFS Management Company (Jersey) Limited ("ManJer"). ManJer advised that it was willing to continue to provide the services previously provided by ETFSL to the Company. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

Graham J Tuckwell is also a director of ETFSL, ManJer and HoldCo.

12. Financial Risk Management

The Company is exposed to a number of risks arising from its activities. The risk management policies employed by the Company to manage these are discussed below.

(a) *Interest Rate Risk*

The Company does not have significant exposure to interest rate risk since none of its assets or liabilities bear any interest.

(b) *Liquidity Risk*

When the authorised participants redeem securities, the Company receives from the Currency Transaction Counterparty funds from the Counterparty Collateral Pools equal to the value of securities redeemed. Therefore, redemption of securities would not impact the liquidity of the Company.

(c) *Credit Risk*

The Company's credit exposure to any Currency Transaction Counterparty in respect of Currency Transactions is intended to be limited on any day to the Daily Payment Amounts due but not settled as at such day.

The Security holder's ability to reclaim assets is equivalent to the assets realised by the Company, therefore limiting the credit risk of the Company in connection with the issue of the Securities.

The Company's cash is held at Royal Bank of Scotland International in Jersey. The directors do not feel that there is a great risk to the Company by holding all the cash with the one bank as the Company intends to distribute the monies held quarterly to the shareholders by way of a dividend. As a result there will be minimal cash held in the bank account at any given time.

(d) *Market Risk*

The Currency Securities bear no interest. The Company's liability is related to the index prices of the currency securities and is managed by the Company by entering into Corresponding Currency Transactions, which gives rights to Eligible Collateral from the Class Collateral Pool. The obligation of the Company to Security holders is limited to the net proceeds of the Class Collateral Pool. The Company bears no financial risk from a change in the price of Currency Securities.

However, there is an inherent risk from the point of view of investors as the value of currency is becoming more volatile in recent times, due to, amongst other things, changing supply and demand for a particular currency, government and monetary authority policy or intervention, interest rate levels and global or regional political, economic or financial events.

The Company holds custody accounts at a large international bank and this is where the cash received from and used by the trade of Currency Securities and the entering of Currency Transactions is held. Due to the low level of cash held in these accounts the directors believe the interest risk is minimal.

(e) *Capital Management*

The Company's principal activity is the listing and issue of Currency Securities. These securities are issued as demand requires. The Company holds a corresponding amount of Currency Transactions which exactly matches the total securities issued. ETFSL supplied and arranged the supply of all administrative services to the Company and paid all management and administration costs of the Company, including Trustee and Custodian fees, in return for which the Company paid ETFSL a Management Fee. This relationship will be continued by ManJer as discussed in Note 11.

As all Currency Securities on issue are supported by an equivalent amount of Currency Transactions and the running costs of the Company were paid by ETFSL and will continue to be paid by ManJer, the directors consider the capital management and value of Shareholders' Funds are adequate to maintain the on-going listing and issue of Currency Securities.

(f) *Sensitivity Analysis*

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by a reasonably possible change to the relevant risk variable.

As disclosed in the directors' report, the Company's liability in connection with the issue of Currency Securities is matched by movements in corresponding Currency Transactions giving access to assets in the equivalent Class Collateral Pool. Consequently the Company is not exposed to market price risk. Therefore, in the directors' opinion no sensitivity analysis is required to be disclosed.

(g) *Settlement Risk*

The directors believe that settlement risk would only be caused by the risk of the Company's trading counterparty not delivering cash or securities on the settlement date. The directors feel that this risk is mitigated as a result of the cash or securities settling through the registrar's CREST system. The system ensures that the transaction does not settle until both parties have fulfilled their sides of the bargain.

Amounts outstanding in respect of positions yet to settle are disclosed in Note 7 and 8.

(h) *Market Price Risk*

Whilst the Currency Securities are quoted on the open market, the Company's liability relates to its contractual obligations to trade with certain counterparties at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAV's of each class of Currency Security. Therefore Currency Securities are classified as level 2 financial liabilities and Currency Transactions as level 2 financial assets as they are calculated using third party pricing sources supported by observable, verifiable inputs.

	Fair Value 31 December 2010 USD	Fair Value 31 December 2009 USD
Level 2	282,117,870	31,853,689

There are no financial assets or liabilities classified in levels 1 or 3. There were no reclassifications between levels during the year.

13. Ultimate Controlling Party

The ultimate controlling party is Graham J Tuckwell, through his majority shareholding in ETFSL.

14. Events after the Reporting Period

On 22 December 2010 the directors agreed that all manager responsibilities of the Company would be transferred from ETFSL to ManJer as part of the Group restructuring exercise. It was agreed that this change would take effect from 1 January 2011.

The directors believe that the restructuring exercise will have no material impact on the operation of the Company.