

ETFS FOREIGN EXCHANGE LIMITED

Registered No: 103518

**Report and Financial Statements for the
Period from Incorporation on 1 July 2009 to 31 December 2009**

ETFS FOREIGN EXCHANGE LIMITED
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ETFS FOREIGN EXCHANGE LIMITED
MANAGEMENT AND ADMINISTRATION

Directors

Mr Graham J Tuckwell – Chairman
Mr Greg J Burgess
Mr Graeme D Ross
Mr Craig A Stewart

Administrator and Company Secretary

R&H Fund Services (Jersey) Limited
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey
JE4 8PW

Registered Office

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31 Pier Road
St Helier
Jersey
JE4 8PW

English Legal Advisers

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1 Fleet Place
London
EC4M 7WS

Jersey Legal Advisers

Mourant du Feu & Jeune
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St Helier
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JE4 8PX

Registrar

Computershare Investor Services (Jersey) Limited
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Manager

ETF Securities Limited
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey
JE4 8PW

Trustee

The Law Debenture Trust Corporation plc
Fifth Floor
100 Wood Street
London
EC2V 7EX

Auditors

Deloitte LLP
Lord Coutanche House
66-68 Esplanade
St Helier
Jersey
JE4 8WA

ETFS FOREIGN EXCHANGE LIMITED

DIRECTORS' REPORT

The directors of ETFS Foreign Exchange Limited ("FXL" or the "Company") submit herewith the annual report and financial statements of the Company for the period from incorporation on 1 July 2009 to 31 December 2009.

Directors

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

Mr Graham J Tuckwell - Chairman	(appointed 1 July 2009)
Mr Greg J Burgess	(appointed 1 July 2009)
Mr Graeme D Ross	(appointed 1 July 2009)
Mr Craig A Stewart	(appointed 1 July 2009)

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 or the Euro. 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 or Euro.

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 parent of the Company, ETF Securities Limited ("ETFSL"), supplies all management and administration services to the Company and pays all the management and administration costs of the Company, 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.

Review of Operations

As at the 31 December 2009, there were 18 separate classes of currency securities in issue and related assets under management amounted to 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 period, the Company generated income from creation and redemption fees and management fees as follows:

	2009
	USD
Management Fees	8,510
Creation and Redemption Fees	5,714
Total Fee income	<u>14,224</u>

ETFS FOREIGN EXCHANGE LIMITED

DIRECTORS' REPORT

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:

	2009
	USD
Operating Profit for the period	<u>5,622</u>

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 2010.

Dividends

The directors do not recommend the provision or payment of a dividend to holders of Ordinary Shares for the period.

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:

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

Directors' Remuneration

The following table discloses the remuneration of the directors of the Company, which has been paid by ETFSL:

	<u>2009 Fees</u> <u>GBP</u>
Mr Graham J Tuckwell (appointed 1 July 2009)	Nil
Mr Greg J Burgess (appointed 1 July 2009)	Nil
Mr Graeme D Ross (appointed 1 July 2009)	2,500
Mr Craig A Stewart (appointed 1 July 2009)	2,500

Auditors

Deloitte LLP were appointed auditors on incorporation. 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



Craig A Stewart
Director
Jersey
29 April 2010

ETFS FOREIGN EXCHANGE LIMITED
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:

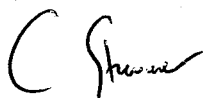
- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to 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.

As required by the Disclosure and Transparency Rules of the UK Listing Authority, the directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Directors' Report includes a fair review of the developments and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board.



Craig A Stewart
Director

29 April 2010

ETFS FOREIGN EXCHANGE LIMITED
INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of ETFS Foreign Exchange Limited for the period to 31 December 2009 which comprise 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 13. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the Company's affairs as at 31 December 2009 and of its profit for the period then ended; and
- The financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.



Christopher Leck MA, FCA,
For and on behalf of Deloitte LLP
Chartered Accountants
St. Helier, Jersey

29 April 2010

ETFFS FOREIGN EXCHANGE LIMITED
STATEMENT OF COMPREHENSIVE INCOME

	Note	Period from 1 July 2009 to 31 December 2009 USD
Revenue	2	14,224
Expenses		
Fees to ETFSL	2	(8,510)
Other operating expense		(92)
Operating Profit	2	<u>5,622</u>
Net gain arising on fair value of Currency Transactions	7	579,065
Net loss arising on fair value of Currency Securities	8	(579,065)
Profit and total comprehensive income for the period		<u><u>5,622</u></u>

The directors consider the Company's activities are continuing.

The notes on pages 10 to 16 form part of these financial statements

ETFS FOREIGN EXCHANGE LIMITED
STATEMENT OF FINANCIAL POSITION

		<u>As at 31 December</u>
		<u>2009</u>
	Note	<u>USD</u>
Current Assets		
Trade and Other Receivables	6	14,135
Currency Transactions	7	31,853,689
Total Assets		<u>31,867,824</u>
Current Liabilities		
Currency Securities	8	31,853,689
Trade and Other Payables	9	8,510
Total Liabilities		<u>31,862,199</u>
Equity		
Stated Capital	10	3
Retained Profits		5,622
Total Equity		<u>5,625</u>
Total Equity and Liabilities		<u><u>31,867,824</u></u>

The financial statements on pages 6 to 16 were approved by the board of directors and signed on its behalf on 29 April 2010.



Craig A Stewart
 Director

The notes on pages 10 to 16 form part of these financial statements

ETFS FOREIGN EXCHANGE LIMITED
STATEMENT OF CASH FLOWS

	Period from 1 July 2009 to 31 December 2009 USD
Cash flows from operating activities	
Net proceeds from issue of securities	31,274,624
Net payments for dealing in contracts	(31,274,624)
Net cash generated by operating activities	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents at the beginning of the period	-
Net increase in cash and cash equivalents	-
Exchange adjustment on revaluation of bank accounts	-
Cash and cash equivalents at the end of the period	-

The notes on pages 10 to 16 form part of these financial statements

ETFFS FOREIGN EXCHANGE LIMITED**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	<u>3</u>	<u>5,622</u>	<u>5,625</u>

The notes on pages 10 to 16 form part of these financial statements

ETFS FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON 1 JULY 2009 TO 31 DECEMBER 2009

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 2009:

IAS 1 (revised), Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in any significant change to the presentation of the Company's performance statement, as the Company has no elements of other comprehensive income.

IAS 39 (amendment), Financial instruments: Recognition and Measurement. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of a financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended.

This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Company's financial statements.

IFRS 7 (amendment) Financial instruments: Disclosures. The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The fair value hierarchy has the following levels:

- Quoted prices in active markets for the assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The adoption of the amendment results in additional disclosures but does not have an impact on the Company's financial position or performance.

ETF FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON 1 JULY 2009 TO 31 DECEMBER 2009

(b) *Standards, amendments and interpretations effective on 1 January 2009 but not relevant to the Company:*

Amendments to IAS 23	Borrowing costs;
Amendments to IAS 39 and IFRIC 9	Embedded derivatives;
Amendments to IAS 39 and IFRS 7	Reclassification of financial assets;
Amendments to IAS 39	Financial instruments: Presentation
Amendments to IFRS 1	First-time adoption of IFRS and IAS 27 Consolidated and separate financial statements;
Amendments to IFRS 2	Share-based payment;
IFRS 8	Operating segments; and
IFRIC 15	Agreements for construction of real estates.

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

The following interpretations are mandatory for the Company's accounting periods beginning on or after 1 July 2009 or later periods but are not relevant for the Company's operations:

Amendments to IAS 27	Consolidated and separate financial statements;
Amendments to IAS 39	Financial instruments: Recognition and measurement;
Amendments to IFRS 1	Additional exemptions for first-time adopters;
Amendments to IFRS 2	Group cash-settled share-based payment transactions;
Amendments to IFRS 3	Business combinations;
IFRIC 17	Distributions of non-cash assets to owners;
IFRIC 18	Transfers of assets from customers; and
IFRS 9	Financial instruments.

'Improvements to IFRS' were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider to be non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual accounting periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

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 are met by ETFSL; 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.

ETFS FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON 1 JULY 2009 TO 31 DECEMBER 2009

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. 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.

ETFFS FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON 1 JULY 2009 TO 31 DECEMBER 2009

2. Profit from Ordinary Activities

Operating profit for the year comprised:

	Period from Incorporation on 1 July 2009 to 31 December 2009
	USD
Creation and Redemption Fees	5,714
Management Fee	8,510
Total revenue	14,224
Fees to ETFSL	(8,510)
Net foreign exchange loss	(92)
Total operating expenses	(8,602)
Operating Profit	5,622

Audit fees for the period of GBP 17,000 were met by ETFSL.

3. Directors' Remuneration

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

	Period from Incorporation on 1 July 2009 to 31 December 2009
	GBP
Mr Graham J Tuckwell (appointed 1 July 2009)	Nil
Mr Greg J Burgess (appointed 1 July 2009)	Nil
Mr Graeme D Ross (appointed 1 July 2009)	2,500
Mr Craig A Stewart (appointed 1 July 2009)	2,500

4. Taxation

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profits arising in the Company for the 2009 year of assessment and future periods will be 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 period in respect of employees.

ETFFS FOREIGN EXCHANGE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION
ON 1 JULY 2009 TO 31 DECEMBER 2009****6. Trade and Other Receivables**

	31 December 2009
	USD
Management Fee receivable	8,510
Creation and redemption fees receivable	5,622
Stated capital receivable	3
	<u>14,135</u>

7. Currency Transactions

The number of Currency Transactions as at 31 December 2009 can be analysed as follows:

	Fair Value on Purchase	Change in Fair Value	Fair Value at Balance Sheet Date
Currency Transactions	<u>31,274,624</u>	<u>579,065</u>	<u>31,853,689</u>

8. Currency Securities

	Fair Value on issue	Change in Fair Value	Fair Value at Balance Sheet Date
Currency Securities	<u>31,274,624</u>	<u>579,065</u>	<u>31,853,689</u>

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 2009 USD
Level 2	<u>31,853,689</u>

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

9. Trade and Other Payables

	2009 USD
Management Fee payable to ETFSL	<u>8,510</u>

ETFSL FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON 1 JULY 2009 TO 31 DECEMBER 2009

10. Stated Capital

	2009 USD
2 shares of nil par value	<u>3</u>

On incorporation, ETFSL acquired the total issued share capital of the Company at GBP 1 per share. All shares issued by ETFSL Foreign Exchange Limited carry one vote per share without restriction and carry the right to dividends. The stated capital is not fully paid.

11. Related Party Disclosures

The immediate and ultimate parent company is ETFSL, a Jersey registered company.

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

The following balances were due (to) / from ETFSL at the period end:

	2009 USD
Management Fees payable	(8,510)
Stated Capital receivable	3
	<u>(8,507)</u>

As disclosed in note 3 above, ETFSL paid directors fees in respect of the Company of GBP 5,000.

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator, and Computershare Investor Services (Jersey) Limited, the registrar. During the period, R&H charged ETFSL secretarial and administration fees in respect of the Company of GBP 45,000, of which GBP 22,500 was outstanding at period end. Computershare charged ETFSL fees in respect of the Company of GBP 8,350, of which GBP 8,350 was outstanding at period end.

Graham J Tuckwell is also a director of the parent company, ETFSL.

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.

ETFFS FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON 1 JULY 2009 TO 31 DECEMBER 2009

(c) *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 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.

(d) *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 supplies and arranges the supply of all administrative services to the Company and will pay all management and administration costs of the Company, including Trustee and Custodian fees, in return for which the Company will pay ETFSL a Management Fee.

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

(e) *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.

(f) *Settlement Risk*

There is an element of risk in respect of the settlement of the Currency Securities, given that the Company's trading counterparty could fail to deliver the cash on the given settlement date.

There are no such outstanding amounts at 31 December 2009.

13. Ultimate Controlling Party

As the majority shareholder in the Company's parent entity, ETFSL, the ultimate controlling party is Graham J Tuckwell.