

ETFS FOREIGN EXCHANGE LIMITED

Registered No: 103518

**Report and Financial Statements for the
Year ended 31 December 2011**

ETFS FOREIGN EXCHANGE LIMITED
CONTENTS

Management and Administration	1
Directors' Report	2
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Cash Flows	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12-19

ETFS FOREIGN EXCHANGE LIMITED
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

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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St Helier
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English Legal Advisers

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Jersey Legal Advisers

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St Helier
Jersey, JE4 8PX

Registrar

Computershare Investor Services (Jersey) Limited
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Manager

ETFS Management Company (Jersey) Limited
Ordnance House
PO Box 83
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Jersey, JE4 8PW

Trustee

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

Auditor

Deloitte LLP
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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 year ended 31 December 2011.

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 Graeme D Ross
Mr Craig A Stewart
Mr Thomas K Quigley

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 ("USD") the Euro ("EUR") or the British Pound ("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, EUR 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 EUR denominated Daily Repurchase Transactions with such party in exchange for Eligible Collateral on the terms described in the Company's prospectus. No trading or management of futures contracts is required of the Company.

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 on going basis.

The Company earns a management fee based upon the number of currency securities in issue. These fees are expressed as an annual percentage, calculated on a daily basis and reflected in the Net Asset Value of the securities on a daily basis, and paid monthly in arrears.

The Company had entered into a service agreement with ETF Securities Limited ("ETFSL"), whereby ETFSL was responsible for advisory or consultancy services required by the Company, including advertising and all costs relating to the listing and issuance of securities. In return for these services, the Company paid ETFSL an amount equal to the Management Fee charge levied by the Company on the Currency Securities in issue. As a result, amounts in respect of the Management Fee are transferred directly to ETFSL and there are no cash flows through the Company in relation to the Management Fee. 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 in exchange for the Management Fee charge levied by the Company on the Currency Securities in issue. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

Review of Operations

As at 31 December 2011, there were 86 separate classes of Currency Securities in issue and related assets under management amounted to USD 331.5 million (2010: USD 282.1 million). The Company recognises its financial assets (Currency Transactions) and financial liabilities (Currency Securities) at fair value in the statement of financial position.

ETFS FOREIGN EXCHANGE LIMITED

DIRECTORS' REPORT - CONTINUED

Review of Operations - continued

During the year, the Company generated income from Creation and Redemption Fees and Management Fees as follows:

	2011 USD	2010 USD
Management Fees	1,599,393	551,320
Creation and Redemption Fees	84,962	45,137
Total Fee Income	<u>1,684,355</u>	<u>596,457</u>

Under the terms of the Service Agreement with ManJer, the Company accrued expenses equal to the Management Fee and Creation and Redemption Fees, which, after taking into account other operating income and expenses, resulted in an operating profit of:

	2011 USD	2010 USD
Operating Profit for the Year	<u>-</u>	<u>44,324</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 financial statements.

Country and Currency Risk

The directors do not consider the Company to have a significant exposure to risk relating to country and currency risk arising from the current economic uncertainties facing a number of countries around the world.

Each Security comprises a debt instrument whose redemption price is linked directly to the price of the relevant underlying transaction. The Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the Currency Transactions and not to the Company. In addition, since any such price movements are wholly attributable to the Security holders, the Company has no residual exposure to price movements of the Currency Transactions. From a commercial perspective it is clear that gains or losses on the liability represented by the Securities are matched economically by losses or gains attributable to the Currency Transactions. The Company has no net exposure.

Movements in the price of the underlying transaction, and thus the value of the Securities, may vary widely which could have an impact on the demand for the Securities issued by the Company. This is considered in notes 7 and 8.

Future Developments

The directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or the attached financial statements.

Dividends

During the year the Company made payment of dividends amounting to USD 26,700 (2010: USD 21,465). 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.

ETF FOREIGN EXCHANGE LIMITED
DIRECTORS' REPORT - CONTINUED

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

Auditor

A resolution to reappoint Deloitte LLP as the auditor of the Company will be proposed at the next meeting 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. With the exception of Mr Quigley, the directors are either members of the board of the Ultimate Parent Company, ETFSL, or members of the Board of the Company's Administrator, R&H Fund Services (Jersey) Limited, and will continue to have such a composition of directors beyond the next meeting of the directors

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 ManJer on behalf of the Company for the year is disclosed below. In the previous year the fees were paid by ETFSL.

	<u>2011 Fees</u>	<u>2010 Fees</u>
	GBP	GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	7,500	5,000
Mr Craig A Stewart	7,500	5,000
Mr Thomas K Quigley	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 Currency Securities, has not undertaken any business, save for issuing and redeeming Currency 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 Currency Securities and performing the obligations and exercising its rights in relation thereto.

Internal Control - continued

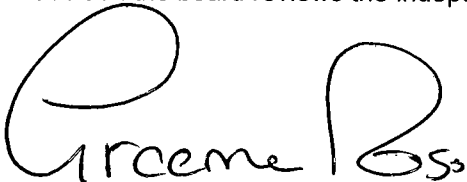
The Company was dependent upon ManJer to provide management and administration services to it. ManJer has outsourced the administration services to a regulated service provider in Jersey, R&H Fund Services (Jersey) Limited ("R&H"). In addition ManJer is classified as a Managed Entity under Jersey regulation and is reliant upon R&H for the provision of additional Management services under the Manager of a Managed Entity ("MoME") regime. Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an on going basis by the board of the ultimate parent company, ETF Securities Limited through their review of periodic reports and quarterly management accounts of the Company.

ManJer promotes and provides management and other services to both the Company and other companies issuing commodity based securities.

The board having reviewed the effectiveness of the internal control systems of the Manager and R&H, 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
9 March 2012

ETFS FOREIGN EXCHANGE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

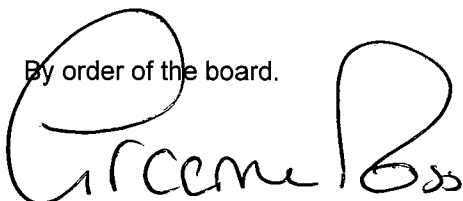
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board. 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.

By order of the board.



Graeme D Ross
Director

9 March 2012

ETFS FOREIGN EXCHANGE LIMITED
INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of ETFS Foreign Exchange Limited for the year ended 31 December 2011 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 13. 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its result 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
- 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.



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

9 March 2012

ETF5 FOREIGN EXCHANGE LIMITED
STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2011 USD	2010 USD
Revenue	2	1,684,355	596,457
Expenses			
Management Fees to ETF5L	2	-	(551,320)
Management Fees to ManJer	2	(1,680,019)	-
Other Operating Expenses		(4,336)	(813)
Operating profit	2	-	44,324
Net (Loss)/Gain Arising on Fair Value of Currency Transactions	7	(16,310,777)	10,554,410
Net Gain/(Loss) Arising on Fair Value of Currency Securities	8	16,310,777	(10,554,410)
Profit and Total Comprehensive Income for the Year		-	44,324

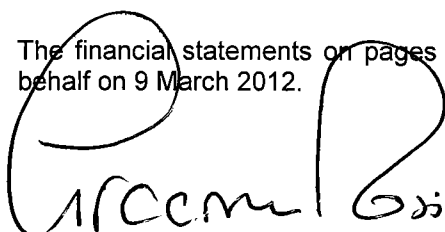
The directors consider the Company's activities are continuing.

The notes on pages 12 to 19 form part of these financial statements

ETFS FOREIGN EXCHANGE LIMITED
STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2011	2010
		USD	USD
Current Assets			
Cash and Cash Equivalents		1,475	2
Trade and Other Receivables	6	157,098	588,312
Currency Transactions	7	331,538,318	282,117,870
Amounts Receivable Awaiting Settlement	7	726,633	409,742
Total Assets		332,423,524	283,115,926
Current Liabilities			
Currency Securities	8	331,538,318	282,117,870
Amounts Payable Awaiting Settlement	8	726,633	409,742
Trade and Other Payables	9	156,789	559,830
Total Liabilities		332,421,740	283,087,442
Equity			
Stated Capital	10	3	3
Retained Profits		1,781	28,481
Total Equity		1,784	28,484
Total Equity and Liabilities		332,423,524	283,115,926

The financial statements on pages 8 to 19 were approved by the board of directors and signed on its behalf on 9 March 2012.



Graeme D Ross
 Director

The notes on pages 12 to 19 form part of these financial statements

ETF5 FOREIGN EXCHANGE LIMITED
STATEMENT OF CASH FLOWS

	<u>Year ended 31 December</u>	
	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Operating Profit for the Year	-	44,324
<i>Changes in Operating Assets and Liabilities</i>		
Decrease/(Increase) in Receivables	431,214	(574,177)
(Decrease)/Increase in Payables	(403,041)	551,320
Cash Generated from Operations	<u>28,173</u>	<u>21,467</u>
Cash Flows from Financing Activities		
Dividends Paid	(26,700)	(21,465)
Net Cash Used by Financing Activities	<u>(26,700)</u>	<u>(21,465)</u>
Net Increase in Cash and Cash Equivalents	<u><u>1,473</u></u>	<u><u>2</u></u>
Cash and Cash Equivalents at the Beginning of the Year	2	-
Net Increase in Cash and Cash Equivalents	1,473	2
Cash and Cash Equivalents at the End of the Year	<u><u>1,475</u></u>	<u><u>2</u></u>

The notes on pages 12 to 19 form part of these financial statements

ETFS FOREIGN EXCHANGE LIMITED
STATEMENT OF CHANGES IN EQUITY

	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 (USD 10,732.50 per share)	-	(21,465)	(21,465)
Balance at 31 December 2010	<u>3</u>	<u>28,481</u>	<u>28,484</u>
Opening Balance at 1 January 2011	3	28,481	28,484
Total Comprehensive Income for the Year	-	-	-
Dividends (USD 13,350 per share)	-	(26,700)	(26,700)
Balance at 31 December 2011	<u>3</u>	<u>1,781</u>	<u>1,784</u>

The notes on pages 12 to 19 form part of these financial statements

ETFS FOREIGN EXCHANGE LIMITED

NOTES TO THE 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") as 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 in notes 7 and 8. Actual results could vary from these estimates.

(a) Standards, amendments and interpretations effective on 1 January 2011:

- Various improvements to IFRSs issued in 2010 (Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011).
- IAS 24 (revised in 2009) "Related Party Disclosures" (Effective 1 January 2011).
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The adoption of the improvements and interpretation resulted in 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 2011 but not relevant to the Company:

- IFRIC 14 "Prepayments of a minimum Funding Requirement" (Effective 1 January 2011)
- Amendments to IAS 31 "Classification of Rights Issues"
- Improvements to IFRSs issued in 2010

(c) Standards, amendments and interpretations that are in issue but not yet effective:

- IFRS 7 "Disclosures" (effective 1 July 2011)
- IFRS 9 "Financial Instruments" (effective 1 January 2015)
- IFRS 10 "Consolidated financial" Statements (effective 1 January 2013)
- IFRS 11 "Joint Arrangements" (effective 1 January 2013)
- IFRS 12 "Disclosure of Interest in Other Entities" (effective 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendments to IAS 1 "Presentation of items of other comprehensive income" (effective 1 July 2012)
- Amendments to IAS 19 "Employee Benefits" (effective 1 January 2013)
- IAS 27 (Revised May 2011) "Separate Financial statements" (effective 1 January 2013)
- IAS 28 (Revised May 2011) "Investments in Associates and Joint Ventures" (effective 1 January 2013)
- Various improvements to IFRSs issued in 2011 (effective 1 January 2013)

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.

1. Accounting Policies - continued**Going Concern**

The nature of the Company's business dictates that the outstanding Currency Securities may be redeemed 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 of the Company were 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.

Currency Transactions and Securities Awaiting Settlement

The issue or redemption of Currency Securities, and the purchase or sale of Currency Transactions, is accounted for on trade date ("T"). Where settlement pricing is applied, the trade will not settle until T+3. Where trades are awaiting settlement at the year end, the monetary amount due to be settled is separately disclosed within the relevant assets and liabilities on the statement of financial position.

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.

ETFFS FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. Accounting Policies - continued

Segmental Reporting

The Company has not provided segmental information as the Company has only one business or product group and geographical segment which is the UK and Europe. 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	
	2011 USD	2010 USD
Creation and Redemption Fees	84,962	45,137
Management Fee	1,599,393	551,320
Total Revenue	1,684,355	596,457
Management Fees to ETFSL	-	(551,320)
Management Fees to ManJer	(1,680,019)	-
Net Finance Charges	(18)	(53)
Net Foreign Exchange Loss	(4,318)	(760)
Total Operating Expenses	(1,684,355)	(552,133)
Operating Profit	-	44,324

Audit fees for the year of GBP 23,000 will be met by ManJer. In the previous year the fees of GBP 23,000 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 ManJer. In the previous year the fees were met by ETFSL.

	Year ended 31 December	
	2011 GBP	2010 GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	7,500	5,000
Mr Craig A Stewart	7,500	5,000
Mr Thomas K Quigley	Nil	Nil

4. Taxation

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

ETFFS FOREIGN EXCHANGE LIMITED**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****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

	As at 31 December	
	2011	2010
	USD	USD
Management Fee	136,229	559,830
Creation and Redemption Fees	20,866	28,479
Unpaid Stated Capital	3	3
	<u>157,098</u>	<u>588,312</u>

7. Currency Transactions

	As at 31 December	
	2011	2010
	USD	USD
Change in Fair Value for the Year	(16,310,777)	(10,554,410)
Currency Transactions	<u>331,538,318</u>	<u>282,117,870</u>

At 31 December 2011 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 or (payable) on completion of these trades is USD 726,633 (2010: USD 409,742).

8. Currency Securities

	As at 31 December	
	2011	2010
	USD	USD
Change in Fair Value for the Year	(16,310,777)	(10,554,410)
Currency Securities	<u>331,538,318</u>	<u>282,117,870</u>

At 31 December 2011 there were certain amounts of Currency Securities awaiting the (creation) or redemption of securities with trade dates before the year end and settlement dates in the following year. The amount (receivable) or payable on completion of these trades is USD 726,633 (31 December 2010: USD 409,742).

9. Trade and Other Payables

	As at 31 December	
	2011	2010
	USD	USD
Fees Payable to ETFSL	-	559,830
Fees Payable to ManJer	156,789	-
	<u>156,789</u>	<u>559,830</u>

ETFSL FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

10. Stated Capital

	As at 31 December	
	2011	2010
	USD	USD
2 Shares of No Par Value Issued at GBP 1 Each	<u>3</u>	<u>3</u>

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. All shares are held by ETFSL Holdings (Jersey) Limited ("HoldCo").

11. Related Party Disclosures

The immediate parent company is HoldCo, a Jersey registered company. The ultimate controlling party 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.

Management fees paid to ETFSL during the year ended 31 December 2011:

	As at	
	2011	2010
	USD	USD
Management Fees	<u>-</u>	<u>551,320</u>

Management fees paid to ManJer during the year ended 31 December 2011:

	As at	
	2011	2010
	USD	USD
Management Fees	<u>1,680,019</u>	<u>-</u>

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

	As at	
	2011	2010
	USD	USD
Management Fees Payable	-	(559,830)
Unpaid Stated Capital	-	3
Net Amounts Due	<u>-</u>	<u>(559,827)</u>

The following balances were due to ManJer at the year end:

	As at	
	2011	2010
	USD	USD
Management Fees payable	<u>156,789</u>	<u>-</u>

ETFS FOREIGN EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

11. Related Party Disclosures – continued

The following balances were due from HoldCo at the year end:

	As at	
	2011	2010
	USD	USD
Unpaid Stated Capital	3	-

As disclosed in note 3 above, ManJer paid directors' fees in respect of the Company of GBP 15,000. In the previous year the fees of GBP 10,000 were paid by ETFSL.

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the year, R&H charged ManJer (ETFSL in respect of 2010) secretarial and administration fees in respect of the Company of GBP 105,000 (2010: GBP 100,150), of which GBP 26,250 (2010: GBP 25,000) was outstanding at the year end.

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) 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.

(b) 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 has minimal cash held in the bank account at any given time.

(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.

12. Financial Risk Management - continued

(c) Market Risk (continued)

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

The Company holds a current account at a large international bank. The rate of interest received on the account is at the bank's variable rate. Due to the low level of cash held in the account the directors do not believe that any move in interest rates would seriously affect the operations of the Company.

(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. ManJer 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 ManJer a Management Fee and Creation and Redemption Fees.

The Company is not subject to any capital requirements imposed by a regulator and there were no changes in the Company's approach to capital management during the year.

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 ManJer, the directors consider the capital management and value of its current capital resources are adequate to maintain the on-going listing and issue of 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

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 notes 7 and 8.

12. Financial Risk Management - continued

(g) *Fair Value Hierarchy*

The levels in the hierarchy are defined as follows:

- Level 1 – fair value based on quoted prices in active markets for identical assets
- Level 2 – fair values based on valuation techniques using observable inputs other than quoted prices within level 1
- Level 3 – fair values based on valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

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	
	2011	2010
Level 2	USD	USD
Currency Transactions	331,538,318	282,117,870
Currency Securities	331,538,318	282,117,870

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.