ETFS METAL SECURITIES LIMITED

Registered No: 95996

Unaudited Interim Financial Report for the Six Months to 30 June 2011

ETFS METAL SECURITIES LIMITED

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ETFS METAL SECURITIES LIMITED

DIRECTORS' REPORT

The directors of ETFS Metal Securities Limited ("MSL" or the "Company") submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2011.

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
Mr Graeme D Ross
Mr Craig A Stewart
Mr Thomas K Quigley

Principal Activities

During the period there were no significant changes in the nature of the Company's activities.

Review of Operations

During the period, the Company had the following classes of security in issue and admitted to trading on the following exchanges. Where the security has been admitted to trading after 1 January 2011, the date is provided.

Security	London Stock Exchange	Borsa Italia	Deutsche Börse	NYSE Euronext Amsterdam
ETFS Physical Platinum	✓	✓	✓	✓
ETFS Physical Palladium	✓	✓	✓	✓
ETFS Physical Silver	✓	✓	✓	✓
ETFS Physical Gold	✓	✓	✓	✓
ETFS Physical Basket	✓	✓	✓	✓
ETFS Physical Swiss Gold Securities	✓	-	✓	-

As at 30 June 2011, the Company had USD 8,750 million (31 December 2010: USD 8,507 million) of assets under management. The Company recognises its assets (Metal Bullion) and liabilities (Metal Securities) at fair value in the condensed statement of financial position.

Review of Operations – continued

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

	30 June 2011 USD	30 June 2010 USD
Management Fee	17,559,577	11,526,238
Creation and Redemption Fees	122,397	120,743
Total Fee Income	17,681,974	11,646,981

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

	30 June 2011 USD	30 June 2010 USD
Operating Profit for the Period	-	122,401

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

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 interim financial statements.

Dividends

During the period the Company made payment of dividends amounting to USD Nil (30 June 2010: USD 194,404). There are no dividends declared for the period. 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 ETF Securities Limited ("ETFSL"))	2

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 period is disclosed below. In the previous period the fees were paid by ETFSL.

	30 June 2011 GBP	30 June 2010 GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	2,500
Mr Craig A Stewart	3,750	2,500
Mr Thomas K Quigley	Nil	Nil

On behalf of the Directors

Graeme Ross

Graeme D Ross
Director
Jersey
26 August 2011

ETFS METAL SECURITIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare interim financial statements for each financial period. Under that law the directors have elected to prepare the interim 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 period 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, 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 August 2011

ETFS METAL SECURITIES LIMITED

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 30 June 2011 Unaudited USD	2010 Unaudited USD
Revenue	2	17,681,974	11,646,981
Expenses			
Fees to ETFSL		-	(11,526,238)
Fees to ManJer	2	(17,685,965)	-
Other Operating Income		3,991	1,658
Operating Profit	2	-	122,401
Net Gain Arising on Fair Value of Metal Bullion	7	503,645,615	619,034,285
Net Loss Arising on Fair Value of Metal Securities	8	(503,645,615)	(619,034,285)
Profit and Total Comprehensive Income for the Period		**-**	**122,401**

The directors consider the Company's activities to be continuing.

The notes on pages 9 to 12 form part of these financial statements

ETFS METAL SECURITIES LIMITED

CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2011 Unaudited USD	As at 31 December 2010 Audited USD
Current Assets			
Cash and Cash Equivalents		94,114	68
Trade and Other Receivables	6	3,061,861	3,065,990
Metal Bullion	7	8,750,405,340	8,506,963,977
Amounts Receivable Awaiting Settlement	7	25,039,079	46,881,313
Total Assets		8,778,600,394	8,556,911,348
Current Liabilities			
Metal Securities	8	8,750,405,340	8,506,963,977
Amounts Payable Awaiting Settlement	8	25,039,079	46,881,313
Trade and Other Payables		3,065,852	2,975,935
Total Liabilities		8,778,510,271	8,556,821,225
Equity			
Stated Capital	9	4	4
Retained Profits		90,119	90,119
Total Equity		90,123	90,123
Total Equity and Liabilities		8,778,600,394	8,556,911,348

The financial statements on pages 5 to 12 were approved by the board of directors and signed on its behalf on 26 August 2011.

Graeme D Ross
Director

The notes on pages 9 to 12 form part of these financial statements

ETFS METAL SECURITIES LIMITED

CONDENSED STATEMENT OF CASH FLOWS

	Period ended 30 June	
	2011	2010
	Unaudited	Unaudited
	USD	USD
Cash Flows from Operating Activities		
Cash Receipts from Operations	93,550	97,132
Cash Generated from Operations	93,550	97,132
Bank Interest Received	78	246
Bank Charges Paid	(57)	(56)
Net Cash Generated from Operating Activities	93,571	97,322
Cash Flows from Financing Activities		
Dividends Paid	-	(194,404)
Net Cash Used by Financing Activities	-	(194,404)
Net Increase/(Decrease) in Cash and Cash Equivalents	93,571	(97,082)
Cash and Cash Equivalents at the Beginning of the Period	68	180,288
Net Increase/(Decrease) in Cash and Cash Equivalents	93,571	(97,082)
Exchange Adjustment	475	(11,812)
Cash and Cash Equivalents at the End of the Period	94,114	71,394

Metal Securities issued or redeemed by receipt / transfer of bullion have been excluded in the statement of cash flows.

The notes on pages 9 to 12 form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Stated Capital USD	Retained Earnings USD	Total Equity USD
Audited Opening Balance at 1 January 2010	4	10,026	10,030
Total Comprehensive Income for the Period	-	122,401	122,401
Unaudited Balance at 30 June 2010	4	132,427	132,431
Audited Opening Balance at 1 January 2011	4	90,119	90,123
Total Comprehensive Income for the Period	-	-	-
Unaudited Balance at 30 June 2011	4	90,119	90,123

The notes on pages 9 to 12 form part of these financial statements

1. Accounting Policies

The main accounting policies of the Company are described below.

Basis of Preparation

The interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The interim financial statements have been prepared on a historical cost basis, except for financial instruments which have been designated as financial assets and financial liabilities at fair value through profit or loss which have been measured at fair value. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies adopted are consistent with those of the annual financial statements for the period ended 31 December 2010. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2010.

This half yearly report has not been audited or reviewed by the Company's auditors.

The presentation of interim financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The accounting policies appropriate to the company are detailed below.

(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)

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 2011 but not relevant to the Company:*

- IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective January 2011)

(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)

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.

Segmental Reporting

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

2. Operating Profit

Operating profit for the period comprised:

	Period ended 30 June	
	2011 Unaudited USD	2010 Unaudited USD
Creation and Redemption Fees	122,397	120,743
Management Fees	17,559,577	11,526,238
Total Revenue	17,681,974	11,646,981
Fees to ETFSL	-	(11,526,238)
Fees to ManJer	(17,685,965)	-
Net Finance Charges	21	190
Net Foreign Exchange Gain	3,970	1,468
Total Operating Expenses	(17,681,974)	(11,524,580)
Operating Profit	**-**	**122,401**

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 period the fees were met by ETFSL.

	Period ended 30 June	
	2011 Unaudited GBP	2010 Unaudited GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	2,500
Mr Craig A Stewart	3,750	2,500
Mr Thomas K Quigley	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 period in respect of employees.

6. Trade and Other Receivables

	As at	
	30 June 2011 Unaudited USD	31 December 2010 Audited USD
Management Fee	2,985,579	2,975,935
Creation and Redemption Fees	76,282	90,055
	3,061,861	3,065,990

7. Metal Bullion

	30 June 2011 Unaudited USD	31 December 2010 Audited USD
Change in Fair Value for the Period/Year	503,645,615	1,948,575,442
Metal Bullion Held	8,750,405,340	8,506,963,977

At the period end, there were certain amounts of bullion awaiting the creation of securities with trade dates before the period end and settlement dates in the following period. The amount receivable on completion of these trades is USD 25,039,079 (31 December 2010: USD 46,881,313).

All bullion assets have been valued using the AM fix on 30 June 2011 as quoted by the LPPM and the LBMA.

8. Metal Securities

	30 June 2011 Unaudited USD	31 December 2010 Audited USD
Change in Fair Value for the Period/Year	503,645,615	1,948,575,442
Metal Securities	8,750,405,340	8,506,963,977

At the period end, there were certain securities awaiting the creation with trade dates before the period end and settlement dates in the following period. The amount payable on completion of these trades is USD 25,039,079 (31 December 2010: USD 46,881,313).

9. Stated Capital

	As at	
	30 June 2011 Unaudited USD	31 December 2010 Audited USD
2 Shares Issued for a Premium of GBP 1 Each	4	4

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 ETFS Holdings (Jersey) Limited ("HoldCo").

10. Contingent Liabilities and Contingent Assets

The Company does not have any material contingent liabilities or contingent assets at 30 June 2011.

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 and individuals 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 period end:

	As at	
	30 June 2011 Unaudited USD	31 December 2010 Audited USD
Management Fee	-	2,975,935

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

Management Fee	3,065,852	-

As disclosed in note 3 above, ManJer paid Directors' fees in respect of the Company of GBP 7,500 (30 June 2010: GBP 5,000).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer (ETFSL in respect of 2010) secretarial and administration fees in respect of the Company of GBP 55,042 (31 December 2010: GBP 81,400), of which GBP 15,625 (31 December 2010: GBP 18,750) was outstanding at the year end.

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

12. Ultimate Controlling Party

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