

**ETF5 METAL SECURITIES LIMITED**

**Registered No: 95996**

**Unaudited Interim Financial Report for the  
Six Months to 30 June 2012**

**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 2012.

### 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.

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

As at 30 June 2012, the Company had USD 9,583 million (31 December 2011: USD 9,034 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.

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

	30 June 2012	30 June 2011
	USD	USD
Management Fees	19,680,901	17,559,577
Creation and Redemption Fees	111,156	122,397
Total Fee Income	19,792,057	17,681,974

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 for the period of USD Nil (30 June 2011: USD Nil).

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.

**ETFS METAL SECURITIES LIMITED**

**DIRECTORS' REPORT - CONTINUED**

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**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**

There were no dividends declared or paid in 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:

	<u>Ordinary Shares of Nil Par Value</u>
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.

	<u>30 June 2012</u>	<u>30 June 2011</u>
	<u>GBP</u>	<u>GBP</u>
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	3,750
Mr Craig A Stewart	3,750	3,750
Mr Thomas K Quigley	Nil	Nil

On behalf of the directors



**Graeme D Ross**  
Director  
Jersey  
17 August 2012

## ETFS METAL SECURITIES LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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, 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

17 August 2012

**ETFS METAL SECURITIES LIMITED**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Period ended 30 June	
		2012 Unaudited USD	2011 Unaudited USD
<b>Revenue</b>	2	19,792,057	17,681,974
<b>Expenses</b>			
Management Fees to ManJer	2	(19,768,458)	(17,685,965)
Creation and Redemption Fees Written Off	2	(23,583)	-
Other Operating (Expenses)/Income		(16)	3,991
<b>Operating Profit</b>	2	-	-
Net Gain Arising on Fair Value of Metal Bullion	7	64,381,513	503,645,615
Net Loss Arising on Fair Value of Metal Securities	8	(64,381,513)	(503,645,615)
<b>Profit and Total Comprehensive Income for the Period</b>		-	-

The directors consider the Company's activities are continuing.

The notes on pages 8 to 11 form part of these financial statements

ETFS METAL SECURITIES LIMITED

CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at	
		30 June 2012 Unaudited USD	31 December 2011 Audited USD
<b>Current Assets</b>			
Cash and Cash Equivalents		-	1,633
Trade and Other Receivables	6	3,256,317	3,271,754
Metal Bullion	7	9,582,943,716	9,034,464,204
Amounts Receivable Awaiting Settlement	8	1,948,205	5,908,525
<b>Total Assets</b>		<b>9,588,148,238</b>	<b>9,043,646,116</b>
<b>Current Liabilities</b>			
Metal Securities	8	9,582,943,716	9,034,464,204
Amounts Payable Awaiting Settlement	7	1,948,205	5,908,525
Trade and Other Payables		3,256,313	3,273,383
<b>Total Liabilities</b>		<b>9,588,148,234</b>	<b>9,043,646,112</b>
<b>Equity</b>			
Stated Capital	9	4	4
Retained Profits		-	-
<b>Total Equity</b>		<b>4</b>	<b>4</b>
<b>Total Equity and Liabilities</b>		<b>9,588,148,238</b>	<b>9,043,646,116</b>

The financial statements on pages 4 to 11 were approved by the board of directors and signed on its behalf on 17 August 2012.



Graeme D Ross  
Director

The notes on pages 8 to 11 form part of these financial statements

ETFs METAL SECURITIES LIMITED

CONDENSED STATEMENT OF CASH FLOWS

	Period ended 30 June	
	2012 Unaudited USD	2011 Unaudited USD
<b>Operating Profit for the Period</b>	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Decrease in Receivables	15,437	4,129
(Decrease)/Increase in Payables	(17,070)	89,917
Cash (Used in)/Generated from Operations	(1,633)	94,046
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(1,633)</b>	<b>94,046</b>
Cash and Cash Equivalents at the Beginning of the Period	1,633	68
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,633)	94,046
Cash and Cash Equivalents at the End of the Period	-	94,114

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

The notes on pages 8 to 11 form part of these financial statements



**ETFS METAL SECURITIES LIMITED**

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

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	<b>Stated Capital</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Audited Opening Balance at 1 January 2011	4	90,119	90,123
Total Comprehensive Income for the Period	-	-	-
Unaudited Balance at 30 June 2011	<u>4</u>	<u>90,119</u>	<u>90,123</u>
Audited Opening Balance at 1 January 2012	4	-	4
Total Comprehensive Income for the Period	-	-	-
Unaudited Balance at 30 June 2012	<u>4</u>	<u>-</u>	<u>4</u>

The notes on pages 8 to 11 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 2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). 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 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by IASB.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011. 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 2011.

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.

***Accounting Standards***

*(a) Standards, amendments and interpretations effective on 1 January 2012:*

- Various improvements to IFRSs issued in 2011

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 2012 but not relevant to the Company:*

- Various improvements to IFRSs issued in 2011
- IAS 12 "Income Taxes"

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

- 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 IFRS 1 "First Time Adoption" (effective 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2013)
- Amendments to IAS 1 "Presentation of Financial Statements" (effective 1 July 2012)
- Amendments to IAS 19 "Employee Benefits" (effective 1 January 2013)
- Amendments to IAS 32 "Financial Instruments: Presentation" (effective 1 January 2014)
- 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)

**ETFS METAL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**1. Accounting Policies - continued**

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, and one geographical segment which is UK and Europe. 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	
	2012	2011
	Unaudited USD	Unaudited USD
Management Fees	19,680,901	17,559,577
Creation and Redemption Fees	111,156	122,397
<b>Total Revenue</b>	<b>19,792,057</b>	<b>17,681,974</b>
Management Fees to ManJer	(19,768,458)	(17,685,965)
Creation and Redemption Fees Written Off	(23,583)	-
Net Finance Charges	(53)	21
Net Foreign Exchange Gain	37	3,970
<b>Total Operating Expenses</b>	<b>(19,792,057)</b>	<b>(17,681,974)</b>
<b>Operating Profit</b>	<b>-</b>	<b>-</b>

**3. Directors' Remuneration**

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

	Period ended 30 June	
	2012	2011
	Unaudited GBP	Unaudited GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	3,750
Mr Craig A Stewart	3,750	3,750
Mr Thomas K Quigley	Nil	Nil

**4. Taxation**

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

**ETFS METAL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**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 2012 Unaudited USD	31 December 2011 Audited USD
Management Fees	3,154,806	3,143,469
Creation and Redemption Fees	101,511	128,285
	3,256,317	3,271,754

**7. Metal Bullion**

	As at	
	30 June 2012 Unaudited USD	31 December 2011 Audited USD
Change in Fair Value for the Period/Year	64,381,513	377,001,322
Metal Bullion Held	9,582,943,716	9,034,464,204

At 30 June 2012, there were certain amounts of bullion awaiting the creation or (redemption) of securities with trade dates before the period end and settlement dates in the following period. The net amount receivable or (payable) on completion of these trades is USD (1,948,205) (31 December 2011: USD (5,908,525)).

All bullion assets have been valued using the PM fix on 29 June 2012 as quoted by the LPPM and the LBMA.

**8. Metal Securities**

	As at	
	30 June 2012 Unaudited USD	31 December 2011 Audited USD
Change in Fair Value for the Period/Year	64,381,513	377,001,322
Metal Securities	9,582,943,716	9,034,464,204

At 30 June 2012, there were certain securities awaiting the (creation) or redemption with trade dates before the period end and settlement dates in the following period. The net amount (payable) or receivable on completion of these trades is USD 1,948,205 (31 December 2011: USD 5,908,525).

ETFSL METAL SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

9. Stated Capital

	As at	
	30 June 2012	31 December 2011
	Unaudited	Audited
	USD	USD
2 Shares of Nil Par Value, at 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 ETFSL 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 2012.

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.

*Management Fees paid to ManJer during the period:*

	As at	
	30 June 2012	31 December 2011
	Unaudited	Audited
	USD	USD
Management Fees	19,768,458	38,453,184

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

	As at	
	30 June 2012	31 December 2011
	Unaudited	Audited
	USD	USD
Management Fees Payable	3,256,313	3,273,383

As disclosed in note 3 above, ManJer paid directors' fees in respect of the Company of GBP 7,500 (30 June 2011: GBP 7,500).

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 secretarial and administration fees in respect of the Company of GBP 45,000 (30 June 2011: GBP 55,042), of which GBP 22,500 (30 June 2011: GBP 15,625) was outstanding at the period 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.