

**ETFS FOREIGN EXCHANGE LIMITED**

**Registered No: 103518**

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

# ETFS FOREIGN EXCHANGE LIMITED

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# ETFS FOREIGN EXCHANGE LIMITED

## DIRECTORS' REPORT

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The directors of ETFS Foreign Exchange Limited ("FXL" 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

As at 30 June 2011, there were 86 separate classes of Currency Securities in issue and related assets under management amounted to USD 392.4 million (31 December 2010: USD 282.1 million). The Company recognises its financial assets (Currency Contracts) and liabilities (Currency 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:

	<u>30 June 2011</u> USD	<u>30 June 2010</u> USD
Management Fee	741,621	179,164
Creation and Redemption Fees	41,036	19,632
Total Fee Income	<u>782,657</u>	<u>198,796</u>

Under the terms of the Administration Service Deed Poll with ETFS Management Company (Jersey) Limited ("ManJer"), 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:

	<u>30 June 2011</u> USD	<u>30 June 2010</u> USD
Operating Profit for the Period	<u>-</u>	<u>3,421</u>

The gain or loss on Currency Securities and Currency Transactions 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 payments of dividends amounting to USD Nil (30 June 2010: USD 16,395). 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:

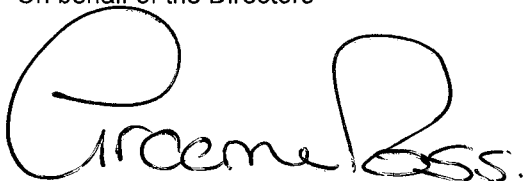
	<u>Ordinary Shares of Nil Par Value</u>
Graham J Tuckwell (as controlling party of ETF Securities Limited ("ETFSL"))	2

**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. In the previous period the fees were paid by ETFSL.

	<u>30 June 2011</u>	<u>30 June 2010</u>
	GBP	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 D Ross**  
Director  
Jersey  
26 August 2011

**ETFS FOREIGN EXCHANGE 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.

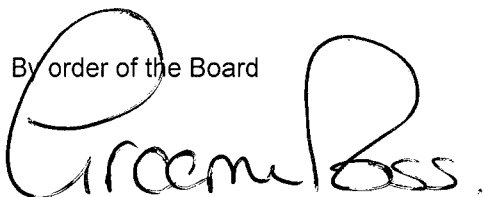
Company law requires the directors to prepare interim financial statements for each financial period. Under that law the directors have elected to prepare the interim financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting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

26 August 2011

**ETFFS FOREIGN EXCHANGE LIMITED**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

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	Note	Period ended	
		30 June 2011 Unaudited USD	30 June 2010 Unaudited USD
<b>Revenue</b>	2	782,657	198,796
<b>Expenses</b>			
Fees to ETFSL	2	-	(179,164)
Fees to ManJer	2	(783,036)	
Other Operating Expenses		379	(16,211)
<b>Operating Profit</b>	2	-	3,421
Net Loss Arising on Fair Value of Currency Contracts	7	(1,978,666)	(484,159)
Net Gain Arising on Fair Value of Currency Securities	8	1,978,666	484,159
<b>Profit and Total Comprehensive Income for the Period</b>		-	3,421


The directors consider the Company's activities are continuing.

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

**ETFS FOREIGN EXCHANGE LIMITED**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**

	Note	As at	
		30 June 2011	31 December 2010
		Unaudited USD	Audited USD
<b>Current Assets</b>			
Cash and Cash Equivalents		28,860	2
Trade and Other Receivables	6	1,341,831	588,312
Currency Contracts	7	392,443,243	282,117,870
Amounts Receivable Awaiting Settlement	7	-	409,742
<b>Total Assets</b>		<b>393,813,934</b>	<b>283,115,926</b>
<b>Current Liabilities</b>			
Currency Securities	8	392,443,243	282,117,870
Amounts Payable Awaiting Settlement	8	-	409,742
Trade and Other Payables		1,342,207	559,830
<b>Total Liabilities</b>		<b>393,785,450</b>	<b>283,087,442</b>
<b>Equity</b>			
Stated Capital	9	3	3
Retained Profits		28,481	28,481
<b>Total Equity</b>		<b>28,484</b>	<b>28,484</b>
<b>Total Equity and Liabilities</b>		<b>393,813,934</b>	<b>283,115,926</b>

The financial statements on pages 4 to 11 were approved by the board of directors and signed on its behalf on 26 August 2011.



**Graeme D Ross**  
Director

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

**ETFS FOREIGN EXCHANGE LIMITED**  
**CONDENSED STATEMENT OF CASH FLOWS**

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	Period ended	
	30 June 2011 Unaudited USD	30 June 2010 Unaudited USD
<b>Cash Flows from Operating Activities</b>		
Cash Receipts from Operations	28,798	-
Net Proceeds from Issue of Securities	112,304,038	164,933,254
Net Payments for Dealing in Currency Transactions	(112,304,038)	(164,933,254)
Cash Generated from Operations	<u>28,798</u>	<u>-</u>
Bank Interest Received	22	-
Net Cash Generated from Operating Activities	<u>28,820</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>28,820</u>	<u>-</u>
Cash and Cash Equivalents at the Beginning of the Period	2	
Net Increase in Cash and Cash Equivalents	28,820	-
Exchange Adjustment	38	-
Cash and Cash Equivalents at the End of the Period	<u>28,860</u>	<u>-</u>

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



**ETF5 FOREIGN EXCHANGE LIMITED**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	<b>Stated Capital USD</b>	<b>Retained Earnings USD</b>	<b>Total Equity USD</b>
Audited Opening Balance at 1 January 2010	3	5,622	5,625
Total Comprehensive Income for the Period	-	3,421	3,421
Unaudited Balance at 30 June 2010	<u>3</u>	<u>9,043</u>	<u>9,046</u>
Audited Opening Balance at 1 January 2011	3	28,481	28,484
Total Comprehensive Income for the Period	-	-	-
Unaudited Balance at 30 June 2011	<u>3</u>	<u>28,481</u>	<u>28,484</u>

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

**ETFS FOREIGN EXCHANGE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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.

*Standards, amendments and interpretations effective on 1 January 2011 but not relevant to the company:*

*(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 and 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	30 June 2010
	Unaudited USD	Unaudited USD
Creation and Redemption Fees	41,036	19,632
Management Fees	741,621	179,164
<b>Total Revenue</b>	<b>782,657</b>	<b>198,796</b>
Fees to ETFSL	-	(179,164)
Fees to ManJer	(783,036)	-
Net Finance Charges	22	-
Dividend Paid	-	(16,395)
Net Foreign Exchange Gain	357	184
<b>Total Operating Expenses</b>	<b>(782,657)</b>	<b>(195,375)</b>
<b>Operating Profit</b>	<b>-</b>	<b>3,421</b>

**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	30 June 2010
	Unaudited GBP	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	31 December 2010
	Unaudited USD	Audited USD
Management Fee	1,321,002	559,830
Creation and Redemption Fees	20,826	28,479
Unpaid Stated Capital	3	3
	<b>1,341,831</b>	<b>588,312</b>

**ETFFS FOREIGN EXCHANGE LIMITED****NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****7. Currency Contracts**

The number of Currency Contracts at the period end can be analysed as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>USD</b>	<b>USD</b>
Change in Fair Value for the Period/Year	<u>(1,978,666)</u>	<u>(10,554,410)</u>
Currency Contracts	<u>392,443,243</u>	<u>282,117,870</u>

At the period end, there were certain amounts of Currency Contracts awaiting the redemption 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 Nil (31 December 2010: USD 409,742).

**8. Currency Securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>No.</b>	<b>No.</b>
Change in Fair Value for the Period/Year	<u>(1,978,666)</u>	<u>(10,554,410)</u>
Currency Securities	<u>392,443,243</u>	<u>282,117,870</u>

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

**9. Stated Capital**

	<b>As at</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>USD</b>	<b>USD</b>
2 Shares of Nil Value Issued at a Premium of 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 ETFFS 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 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.

**ETFFS FOREIGN EXCHANGE LIMITED****NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****11. Related Party Disclosures - continued**

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

	<b>As at</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>USD</b>	<b>USD</b>
Fees Payable	(572,470)	(559,830)
Unpaid Stated Capital	-	3
Net Amounts Due	<u>(572,470)</u>	<u>(559,827)</u>

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

Fees Payable	<u>(769,737)</u>	<u>-</u>
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The following balances were due from HoldCo at the period end:

Unpaid Stated Capital	<u>3</u>	<u>-</u>
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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 a 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 45,150 (31 December 2010: GBP 100,150), of which GBP 18,750 (31 December 2010: GBP 45,000) was outstanding at 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.