

ETFS COMMODITY SECURITIES LIMITED

Registered No: 90959

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

ETFS COMMODITY SECURITIES LIMITED

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ETFS COMMODITY SECURITIES LIMITED

DIRECTORS' REPORT

The directors of ETFS Commodity Securities Limited ("CSL" 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 number of classes, in aggregate, of Commodity Securities issued and admitted to trading on the following exchanges:

Security	London Stock Exchange	Borsa Italia	Deutsche Börse	NYSE-Euronext Paris	Tokyo Stock Exchange
Classic Commodity Securities	39	33	30	29	14
Forward Commodity Securities	15	13	11	5	-
Short Commodity Securities	34	33	33	-	-
Leveraged Commodity Securities	34	33	33	-	-
Total Commodity Securities	122	112	107	34	14

As at 30 June 2012, assets under management amounted to USD 4,219 million (31 December 2011: USD 4,419 million). The Company recognises its financial assets ("Commodity Contracts") and financial liabilities ("Commodity Securities") at fair value in the condensed statement of financial position.

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

	30 June 2012	30 June 2011
	USD	USD
Management Fee and Licence Allowance	14,478,672	21,545,229
Creation and Redemption Fees	272,970	276,164
Total Fee and Related Income	14,751,642	21,821,393

Under the terms of the service agreement with ETFS Management Company (Jersey) Limited ("ManJer"), the Company accrued expenses equal to the Management Fees and Licence Allowance 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 Commodity Securities and Commodity Contracts 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 COMMODITY SECURITIES LIMITED

DIRECTORS' REPORT - CONTINUED

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>
	GBP	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

On behalf of the directors



Graeme D Ross
Director
Jersey
17 August 2012

ETFS COMMODITY 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, 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 COMMODITY SECURITIES LIMITED

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 30 June	
		2012 Unaudited USD	2011 Unaudited USD
Revenue	2	14,751,642	21,821,393
Expenses			
Management Fees to ManJer	2	(14,522,961)	(21,829,629)
Creation and Redemption Fees Written Off	2	(228,684)	-
Other Operating Income	3		8,236
Operating Profit	2	-	-
Net Loss Arising on Fair Value of Commodity Contracts	8	(293,046,539)	(254,567,660)
Net Loss Arising on Fair Value of Commodity Securities	9	293,046,539	254,567,660
Profit and Total Comprehensive Income for the Period		-	-

The directors consider the Company's activities are continuing.

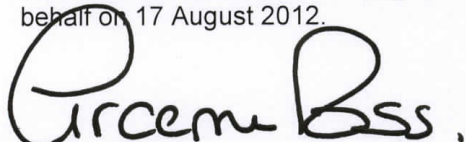
The notes on pages 8 to 13 form part of these financial statements

ETFs COMMODITY SECURITIES LIMITED

CONDENSED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2012	31 December 2011
		Unaudited	Audited
		USD	USD
	Note		
Current Assets			
Cash and Cash Equivalents		1	4,035
Trade and Other Receivables	7	2,346,716	2,752,367
Commodity Contracts	8	4,218,631,174	4,418,950,726
Amounts Receivable Awaiting Settlement	8	42,262,009	20,720,022
Total Assets		<u>4,263,239,900</u>	<u>4,442,427,150</u>
Current Liabilities			
Commodity Securities	9	4,218,631,174	4,418,950,726
Amounts Payable Awaiting Settlement	9	42,262,009	20,720,022
Trade and Other Payables		2,346,715	2,756,400
Total Liabilities		<u>4,263,239,898</u>	<u>4,442,427,148</u>
Equity			
Stated Capital	10	2	2
Retained Profits		-	-
Total Equity		<u>2</u>	<u>2</u>
Total Equity and Liabilities		<u>4,263,239,900</u>	<u>4,442,427,150</u>

The financial statements on pages 4 to 13 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 13 form part of these financial statements

ETFs COMMODITY SECURITIES LIMITED
CONDENSED STATEMENT OF CASH FLOWS

	Period ended 30 June	
	2012 Unaudited USD	2011 Unaudited USD
Operating Profit for the Period	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Decrease/(Increase) in Receivables	405,651	(808,016)
(Increase)/Decrease in Payables	(409,685)	1,007,909
Cash (Used in)/Generated from Operations	(4,034)	199,893
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>(4,034)</u>	<u>199,893</u>
Cash and Cash Equivalents at the Beginning of the Period	4,035	17,641
Net (Decrease)/Increase in Cash and Cash Equivalents	(4,034)	199,893
Cash and Cash Equivalents at the End of the Period	<u>1</u>	<u>217,534</u>

The notes on pages 8 to 13 form part of these financial statements

ETFs COMMODITY SECURITIES LIMITED

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Retained Earnings	Total Equity
	USD	USD	USD
Audited Opening Balance at 1 January 2011	2	209,295	209,297
Total Comprehensive Income for the Period	-	-	-
Unaudited Balance at 30 June 2011	<u>2</u>	<u>209,295</u>	<u>209,297</u>
Audited Opening Balance at 1 January 2012	2	-	2
Total Comprehensive Income for the Period	-	-	-
Unaudited Balance at 30 June 2012	<u>2</u>	<u>-</u>	<u>2</u>

The notes on pages 8 to 13 form part of these financial statements

ETFs COMMODITY SECURITIES LIMITED

NOTES TO THE 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 COMMODITY 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

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company reports information on its operations for each of the Company's business segments only, as the Company only has one geographic segment which is the UK and Europe. The directors believe that each type of Commodity Security – Classic, Forward, Short and Leveraged – comprises a segment and results of each are disclosed separately in note 3.

2. Operating Profit

Operating profit for the period comprised:

	Period ended 30 June	
	Unaudited	Unaudited
	2012	2011
	USD	USD
Management Fee	13,139,395	19,552,295
License Allowance	1,339,277	1,992,934
Creation and Redemption Fees	272,970	276,164
Total Revenue	14,751,642	21,821,393
Management Fees to ManJer	(14,522,961)	(21,829,629)
Creation and Redemption Fees Written Off	(228,684)	-
Net Finance Income	1	439
Net Foreign Exchange Gain	2	7,797
Total Operating Expenses	14,751,642	(21,821,393)
Operating Profit	-	-

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. Segmental Reporting

The Company has four separate types of Commodity Securities in issue – Classic, Forward, Short and Leveraged Securities. The Company earns revenues from each of these sources.

For the period ended 30 June 2011:

	Classic	Forward	Short	Leveraged	Central	Total
Management Fee	13,161,143	644,646	1,703,034	4,043,472	-	19,552,295
Licence Allowance	1,341,494	65,708	173,587	412,145	-	1,992,934
Creation and Redemption Fees	152,893	15,754	28,874	78,643	-	276,164
Total Revenue	14,655,530	726,108	1,905,495	4,534,260	-	21,821,393
Total Operating (Expenses)/Income	(14,655,530)	(726,108)	(1,905,495)	(4,534,260)	-	(21,821,393)
Segmental Profit	-	-	-	-	-	-

For the period ended 30 June 2012:

	Classic	Forward	Short	Leveraged	Central	Total
Management Fees	7,868,495	539,315	2,040,762	2,690,823	-	13,139,395
Licence Allowance	802,023	54,972	208,011	274,271	-	1,339,277
Creation and Redemption Fees	140,506	16,847	38,624	76,993	-	272,970
	8,811,024	611,134	2,287,397	3,042,087	-	14,751,642
Total Operating (Expenses)/Income	(8,707,843)	(601,939)	(2,251,168)	(2,962,011)	3	14,522,958
Creation and Redemption Fees Written Off	(103,183)	(9,195)	(36,229)	(80,077)	-	(228,684)
Segmental (Loss)/Profit	(2)	-	-	(1)	3	-

Additional information relating to the assets and liabilities associated with these securities is disclosed in notes 8 and 9.

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

4. 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

5. Taxation

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

6. Employee Benefits

The Company has no employees and has paid no remuneration or benefits during the period in respect of employees.

7. Trade and Other Receivables

	As at	
	30 June 2012	31 December 2011
	Unaudited USD	Audited USD
Management Fee and Licence Allowance	2,219,437	2,503,525
Creation and Redemption Fees	127,279	248,842
	2,346,716	2,752,367

8. Commodity Contracts

	Audited Change in Fair Value at 31 December 2011 USD	Audited Fair Value at 31 December 2011 USD
Classic Commodity Contracts	(827,091,539)	3,260,447,177
Forward Commodity Contracts	(36,471,404)	198,573,502
Short Commodity Contracts	60,690,677	380,797,943
Leveraged Commodity Contracts	(408,285,785)	579,132,104
Total Commodity Contracts	(1,211,158,051)	4,418,950,726

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

8. Commodity Contracts - continued

	Unaudited Change in Fair Value at 30 June 2012 USD	Unaudited Fair Value at 30 June 2012 USD
Classic Commodity Contracts	(161,882,703)	3,032,779,757
Forward Commodity Contracts	(12,929,469)	169,836,851
Short Commodity Contracts	13,309,920	577,651,178
Leveraged Commodity Contracts	(131,544,287)	438,363,388
Total Commodity Contracts	<u>(293,046,539)</u>	<u>4,218,631,174</u>

At 30 June 2012, there were certain Commodity Contracts awaiting the creation or (redemption) of securities with trade dates before the period end and settlement dates after the period end. The net amount receivable or (payable) on completion of these trades is USD (42,262,009) (31 December 2011: USD (20,720,022)).

9. Commodity Securities

	Audited Change in Fair Value at 31 December 2011 USD	Audited Fair Value at 31 December 2011 USD
Classic Commodity Securities	(827,091,539)	3,260,447,177
Forward Commodity Securities	(36,471,404)	198,573,502
Short Commodity Securities	60,690,677	380,797,943
Leveraged Commodity Securities	(408,285,785)	579,132,104
Total Commodity Securities	<u>(1,211,158,051)</u>	<u>4,418,950,726</u>

	Unaudited Change in Fair Value at 30 June 2012 USD	Unaudited Fair Value at 30 June 2012 USD
Classic Commodity Securities	(161,882,703)	3,032,779,757
Forward Commodity Securities	(12,929,469)	169,836,851
Short Commodity Securities	13,309,920	577,651,178
Leveraged Commodity Securities	(131,544,287)	438,363,388
Total Commodity Securities	<u>(293,046,539)</u>	<u>4,218,631,174</u>

At 30 June 2012, there were certain Commodity Securities awaiting (creation) or redemption with trade dates before the period end and settlement dates after the period end. The amount (payable) or receivable on completion of these trades is USD 42,262,009 (31 December 2011: USD 20,720,022).

10. Stated Capital

	As at	
	30 June 2012 Unaudited USD	31 December 2011 Audited USD
2 Shares of Nil Par Value, Issue at GBP 1 Each	<u>2</u>	<u>2</u>

ETFs COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

10. Stated Capital – continued

The Company has an unlimited capital of nil 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").

11. Contingent Liabilities and Contingent Assets

The Company does not have any material contingent liabilities or contingent assets at 30 June 2012.

12. 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 ETFs. ETFs 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	14,522,961	40,290,992

The following balances were due to ManJer at period end:

	As at	
	30 June 2012	31 December 2011
	Unaudited	Audited
	USD	USD
Management Fees Payable	2,346,715	2,756,400

As disclosed in note 4 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 135,764 (30 June 2011: GBP 112,142), of which GBP 67,882 (30 June 2011: GBP 52,246) was outstanding at the period end.

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

13. Ultimate Controlling Party

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