

ETFS HEDGED COMMODITY SECURITIES LIMITED

Registered No: 109413

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

ETFs HEDGED COMMODITY SECURITIES LIMITED

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ETFS HEDGED COMMODITY SECURITIES LIMITED

DIRECTORS' REPORT

The directors of ETFS Hedged Commodity Securities Limited ("HCSL" 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 Currency-Hedged Commodity Securities issued and admitted to trading on the following exchanges:

Security	London Stock Exchange	Deutsche Börse
Classic Hedged Commodity Securities	11	10
Forward Hedged Commodity Securities	3	-
Total Currency-Hedged Commodity Securities	14	10

As at 30 June 2012, assets under management amounted to USD 44.7 million (31 December 2011: USD Nil). The Company recognises its financial assets ("Commodity Contracts") and financial liabilities ("Currency-Hedged 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	31 December 2011
	USD	USD
Management Fee and Licence Allowance	33,151	-
Creation and Redemption Fees	3,148	-
Total Fee and Related Income	36,299	-

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 (31 December 2011: USD Nil).

The gain or loss on Currency-Hedged 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 HEDGED 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:

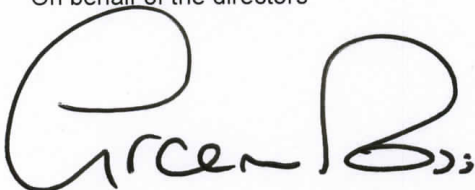
	<u>Ordinary Shares of Nil Par Value</u>
Graham J Tuckwell (as controlling party of ETF Securities Limited ("ETFSL"))	2

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>31 December 2011</u>
	GBP	GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	Nil
Mr Craig A Stewart	3,750	Nil
Mr Thomas K Quigley	Nil	Nil

On behalf of the directors



Graeme D Ross
Director
Jersey
17 August 2012

ETFS HEDGED COMMODITY SECURITIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

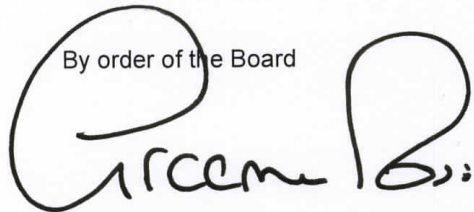
Company law requires the directors to prepare interim financial statements for each financial period. Under that law the directors have elected to prepare the interim financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 30 June 2012 Unaudited USD	Period from 11 November 2011 to 31 December 2011 Audited USD
Revenue	2	36,299	-
Expenses			
Management Fees to ManJer	2	(36,299)	-
Operating Profit	2	-	-
Net Loss Arising on Fair Value of Commodity Contracts	8	(1,067,637)	-
Net Loss Arising on Fair Value of Currency-Hedged Commodity Securities	9	1,067,637	-
Profit and Total Comprehensive Income for the Period		-	-

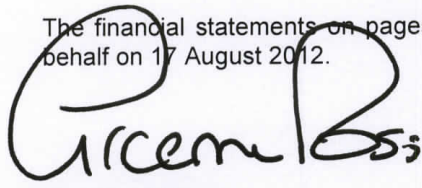
The directors consider the Company's activities are continuing.

The notes on pages 8 to 12 form part of these financial statements

ETFS HEDGED COMMODITY SECURITIES LIMITED
 CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at	
		30 June 2012 Unaudited USD	31 December 2011 Audited USD
Current Assets			
Trade and Other Receivables	7	22,871	3
Commodity Contracts	8	44,653,685	-
Total Assets		<u>44,676,556</u>	<u>3</u>
Current Liabilities			
Currency-Hedged Commodity Securities	9	44,653,685	-
Trade and Other Payables		22,868	-
Total Liabilities		<u>44,676,553</u>	<u>-</u>
Equity			
Stated Capital	10	3	3
Retained Profits		-	-
Total Equity		<u>3</u>	<u>3</u>
Total Equity and Liabilities		<u>44,676,556</u>	<u>3</u>

The financial statements on pages 4 to 12 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 12 form part of these financial statements

ETFS HEDGED COMMODITY SECURITIES LIMITED

CONDENSED STATEMENT OF CASH FLOWS

	Period ended 30 June 2012 Unaudited USD	Period from 11 November 2011 to 31 December 2011 Audited USD
Operating Profit for the Period	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Increase in Receivables	(22,868)	-
Decrease in Payables	22,868	-
Cash Generated from Operations	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Period	-	-

The notes on pages 8 to 12 form part of these financial statements

ETFS HEDGED COMMODITY SECURITIES LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Retained Earnings	Total Equity
	USD	USD	USD
Shares Issued	3	-	3
Audited Balance at 31 December 2011	3	-	3
Audited Opening Balance at 1 January 2012	3	-	3
Total Comprehensive Income for the Period	-	-	-
Unaudited Balance at 30 June 2012	3	-	3

The notes on pages 8 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 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 period 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 HEDGED 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 and Forward – 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 2012 Unaudited USD	31 December 2011 Audited USD
Management Fee	30,081	-
License Allowance	3,070	-
Creation and Redemption Fees	3,148	-
Total Revenue	36,299	-
Management Fees to ManJer	(36,299)	-
Total Operating Expenses	(36,299)	-
Operating Profit	-	-

3. Segmental Reporting

The Company has two separate types of Currency-Hedged Commodity Security in issue – Classic and Forward Securities. The Company earns revenues from each of these sources.

For the period ended 30 June 2012:

	Classic	Forward	Central	Total
Management Fee	28,541	1,540	-	30,081
Licence Allowance	2,913	157	-	3,070
Creation and Redemption Fees	2,441	707	-	3,148
Total Revenue	33,895	2,404	-	36,299
Total Operating Expenses	(33,895)	(2,404)	-	(36,299)
Segmental Profit	-	-	-	-

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

ETFS HEDGED 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	31 December 2011
	Unaudited GBP	Audited GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	Nil
Mr Craig A Stewart	3,750	Nil
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	19,745	-
Creation and Redemption Fees	3,123	-
Stated Capital	3	3
	22,871	3

8. Commodity Contracts

	Audited Change in Fair Value at 31 December 2011 USD	Audited Fair Value at 31 December 2011 USD
Classic Commodity Contracts	-	-
Forward Commodity Contracts	-	-
Total Commodity Contracts	-	-

ETFS HEDGED 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	(937,569)	44,109,426
Forward Commodity Contracts	(130,068)	544,259
Total Commodity Contracts	<u>(1,067,637)</u>	<u>44,653,685</u>

There were no Commodity Contracts awaiting the creation or redemption of securities at the period end (31 December 2011: USD Nil).

9. Currency-Hedged Commodity Securities

	Audited Change in Fair Value at 31 December 2011 USD	Audited Fair Value at 31 December 2011 USD
Classic Commodity Securities	-	-
Forward Commodity Securities	-	-
Total Currency-Hedged Commodity Securities	<u>-</u>	<u>-</u>

	Unaudited Change in Fair Value at 30 June 2012 USD	Unaudited Fair Value at 30 June 2012 USD
Classic Commodity Securities	(937,569)	44,109,426
Forward Commodity Securities	(130,068)	544,259
Total Currency-Hedged Commodity Securities	<u>(1,067,637)</u>	<u>44,653,685</u>

There were no Currency-Hedged Commodity Securities awaiting creation or redemption at the period end (31 December 2011: USD Nil).

10. Stated Capital

	As at	
	30 June 2012 Unaudited USD	31 December 2011 Audited 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 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").

ETFSL HEDGED COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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 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 USD	Audited USD
Management Fees	22,868	-

The following balances were due to ManJer at period end:

	As at	
	30 June 2012	31 December 2011
	Unaudited USD	Audited USD
Management Fees Payable	22,868	-

As disclosed in note 4 above, ManJer paid directors' fees in respect of the Company of GBP 7,500 (31 December 2011: GBP Nil).

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 30,000 (31 December 2011: GBP Nil), of which GBP 15,000 (31 December 2011: GBP Nil) 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.