

ETFS COMMODITY SECURITIES LIMITED

Registered No: 90959

**Report and Financial Statements for the
Year ended 31 December 2009**

ETFS COMMODITY SECURITIES LIMITED

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ETFs COMMODITY SECURITIES LIMITED

MANAGEMENT AND ADMINISTRATION

Directors

Graham Tuckwell – Chairman
Greg Burgess
Graeme Ross
Craig Stewart

Administrator and Company Secretary

R&H Fund Services (Jersey) Limited
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey, JE4 8PW

Registered Office

Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey JE4 8PW

English and German Legal Advisers

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

Jersey Legal Advisers

Mourant du Feu & Jeune
22 Grenville Street
St Helier
Jersey JE4 8PX

Registrar

Computershare Investor Services (Jersey) Limited
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey JE4 8PW

Manager

ETF Securities Limited
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey, JE4 8PW

Trustee

The Law Debenture Trust Corporation plc
Fifth Floor
100 Wood Street
London, EC2V 7EX

Auditors

Deloitte LLP
Lord Coutanche House
66-68 Esplanade
St Helier
Jersey
JE4 8WA

Calculating Agent

UBS Securities LLC
PO Box 120305
Stamford
Connecticut
USA, 06901

Dutch Legal Advisers

Stibbe
1070 AP, Amsterdam

Dutch Listing and Paying Agent

Fortis Bank (Nederland) N.V.
1012 KK Amsterdam

German Listing and Paying Agent

HSBC Trinkhaus & Burkhardt AG
40212 Dusseldorf

Italian Legal Advisers

Studio Legale Cieri Crocenzi
00197 Roma

French Legal Advisers

Simmons & Simmons
75001 Paris

French Listing and Paying Agent

HSBC France
75008 Paris

ETFS COMMODITY SECURITIES LIMITED

DIRECTORS' REPORT

The directors of ETFS Commodity Securities Limited ("CSL" or "the Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2009.

Directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Graham J Tuckwell - Chairman	
Mr Greg J Burgess	(appointed 2 June 2009)
Mr Graeme D Ross	
Mr Craig A Stewart	
Dr Leanne M Baker	(resigned 2 June 2009)
Mr Benjamin M Cukier	(resigned 2 June 2009)
Dr Vince WJ FitzGerald	(resigned 2 June 2009)
Mr Jim C Wiandt	(resigned 2 June 2009)

Principal Activities

The Company's principal activity is the listing and issue of commodity securities ("Commodity Securities"). The Company's portfolio of Commodity Securities includes Classic, Forward, Short and Leveraged Commodity Securities. The Company earns management fees and a licence allowance based upon the number of Commodity Securities in issue. These fees are expressed as an annual percentage, calculated on a daily basis and reflected in the Net Asset Value ("NAV") of the securities on a daily basis.

Commodity Securities are financial instruments designed to track the price of commodity futures, and give investors an exposure similar to that which could be achieved by managing a fully cash-collateralised position in near-term futures contracts. However, unlike managing a futures position, Commodity Securities involve no need to roll from one futures contract to another, no margin calls, and no other brokerage or other costs in holding or rolling futures contracts (although Security Holders incur costs relating to the management fee and licence allowance in holding Commodity Securities).

Commodity Securities are backed by commodity contracts ("Commodity Contracts") with terms corresponding to the terms of Commodity Securities. Each time Commodity Securities are issued or redeemed, matching Commodity Contracts between the Company and a Commodity Contract counterparty are created or cancelled by the Company. The Company has entered into a Facility Agreement with UBS, its Commodity Contract counterparty, enabling the Company to create and cancel Commodity Contracts on an ongoing basis.

The parent of the Company, ETF Securities Limited ("ETFSL"), supplies all management and administration services to the Company and pays all the management and administration costs of the Company, in return for which the Company pays ETFSL an amount equal to the Management Fee and Licence Allowance charges levied by the Company on the Commodity Securities in issue.

Review of Operations

During the year, 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 Amsterdam	NYSE- Euronext Paris
Classic Commodity Securities	38	33	29	30	29
Forward Commodity Securities	14	11	10	-	6
Short Commodity Securities	33	10	33	-	-
Leveraged Commodity Securities	33	10	33	-	-
Total Commodity Securities	118	64	105	30	35

ETFs COMMODITY SECURITIES LIMITED

DIRECTORS' REPORT

In November 2009, the Company issued an additional thirteen Commodity Securities covering five different product classes:

Commodity Security	Classic	Forward	Short	Leveraged
Cocoa	✓	-	✓	✓
Lead	✓	-	✓	✓
Platinum	✓	-	✓	✓
Tin	✓	-	✓	✓
Crude Oil	-	✓	-	-

As at 31 December 2009, assets under management amounted to USD 5,377 million (2008: USD 1,293 million). The Company recognises its financial assets (Commodity Contracts) and financial liabilities (Commodity Securities) at fair value in the statement of financial position.

During the year, the Company generated income from Creation and Redemption fees, Management Fees, the Licence Allowance and additional income from AIG:

	2009	2008
	USD	USD
Management Fee and Licence Allowance	20,106,476	14,080,357
Creation and Redemption Fees	375,578	1,005,079
Other income	-	973,737
Total fee and related income	<u>20,482,054</u>	<u>16,059,173</u>

Under the terms of the Service agreement with ETFSL, the Company accrued expenses equal to the Management Fees and Licence Allowance, which, after taking into account other operating income and expenses, resulted in an operating profit of:

	2009	2008
	USD	USD
Operating profit for the year	<u>424,470</u>	<u>895,289</u>

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

During the year, UBS acquired AIG's commodity business and following completion of this transaction, Commodity Contracts are held with UBS and not AIG. From 12 August 2009, UBS paid the Management Fee and Licence Allowance to the Company. Prior to this date, these fees were received from AIG.

The Company's exposure to risk is discussed in note 13 to the accounts.

Future Developments

On 19 March 2010, the Company launched 14 Classic Commodity Securities on the Tokyo Stock Exchange.

Dividends

The Company has declared dividends for 2009 of USD 1,592,255. As at 31 December 2009, USD 1,013,361 had been settled in cash and USD 2 settled against Stated Capital receivable by the Company. 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.

ETFs COMMODITY SECURITIES LIMITED

DIRECTORS' REPORT

Directors' Interests

The following table sets out the only director's interests in Ordinary Shares as at the date of this report:

Directors	Ordinary Shares of Nil Par Value
Graham John Tuckwell (as controlling party of ETFSL)	2

Directors' Remuneration

The following table discloses the remuneration of the directors of the Company which has been paid by ETFSL on behalf of the company:

	2009 Fees GBP	2008 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (appointed 2 June 2009)	Nil	Nil
Mr Graeme D Ross	5,000	5,000
Mr Craig A Stewart	5,000	5,000
Dr Vince WJ FitzGerald (resigned 2 June 2009)	Nil	Nil
Mr Benjamin M Cukier (resigned 2 June 2009)	Nil	Nil
Mr Jim C Wiandt (resigned 2 June 2009)	Nil	Nil
Dr Leanne M Baker (resigned 2 June 2009)	Nil	Nil

Auditors

Ernst & Young LLP resigned as auditors on 12 December 2009. Deloitte LLP were appointed as auditors on 12 December 2009. A resolution to reappoint Deloitte LLP as the auditors of the Company will be proposed at the next directors meeting.

On behalf of the Directors



Craig Stewart
Director
Jersey
29 April 2010

ETFs COMMODITY SECURITIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 year 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.

As required by the Disclosure and Transparency Rules of the UK Listing Authority, the directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Directors' Report includes a fair review of the developments and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board



Craig Stewart
Director

29 April 2010

ETFS COMMODITY SECURITIES LIMITED

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of ETFS Commodity Securities Limited for the year ended 31 December 2009 which comprise the statement of comprehensive income, the statement of financial position, the cash flow statement, the statements of changes in shareholders' equity and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended; and
- The financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.



Christopher Leck MA, FCA,
For and on behalf of Deloitte LLP
Chartered Accountants
St. Helier, Jersey

29 April 2010

ETFs COMMODITY SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2009 USD	2008 USD
Revenue	2	20,482,054	16,059,173
Expenses			
Fees to ETFSL	2	(20,106,476)	(15,054,094)
Other operating income / (expense)		48,892	(109,790)
Operating profit	2	<u>424,470</u>	<u>895,289</u>
Net gain / (loss) arising on fair value of Commodity Contracts	8	517,989,260	(653,286,261)
Net (loss) / gain arising on fair value of Commodity Securities	9	(517,989,260)	653,286,261
Profit and total comprehensive income for the year		<u><u>424,470</u></u>	<u><u>895,289</u></u>

The directors consider the Company's activities are continuing.

The notes on pages 11 to 20 form part of these financial statements

ETFS COMMODITY SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2009	2008
		USD	USD
Current Assets			
Cash and Cash Equivalents		2,840,218	667,510
Trade and Other Receivables	7	2,977,882	1,068,597
Commodity Contracts	8	5,377,162,774	1,292,697,940
Amounts receivable awaiting settlement	8,9	24,069,112	8,344,144
Total Assets		5,407,049,986	1,302,778,191
Current Liabilities			
Commodity Securities	9	5,377,162,774	1,292,697,940
Amounts payable awaiting settlement	8,9	24,069,112	8,344,144
Trade and Other Payables	10	5,808,098	558,320
Total Liabilities		5,407,039,984	1,301,600,404
Equity			
Stated Capital	11	2	2
Retained Profits		10,000	1,177,785
Total Equity		10,002	1,177,787
Total Equity and Liabilities		5,407,049,986	1,302,778,191

The financial statements on pages 7 to 20 were approved by the board of directors and signed on its behalf on 29 April 2010.



Craig Stewart
 Director

The notes on pages 11 to 20 form part of these financial statements

ETFs COMMODITY SECURITIES LIMITED
STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2009 USD	2008 USD
Cash flows from operating activities		
Cash receipts from operations	18,560,773	15,689,485
Payments to ETFSL	(15,435,590)	(15,083,911)
Net proceeds from issue of securities	3,600,741,486	570,808,443
Net payments for dealing in contracts	(3,600,741,486)	(570,808,443)
Cash generated from operations	<u>3,125,183</u>	<u>605,574</u>
Bank interest received	9,676	22,763
Bank charges paid	(167)	(282)
Net cash generated by operating activities	<u>3,134,692</u>	<u>628,055</u>
Cash flows from financing activities		
Loans repaid / (received)	7,126	(1,546)
Dividends paid	(1,013,361)	-
Net cash used by financing activities	<u>(1,006,235)</u>	<u>(1,546)</u>
Net increase in cash and cash equivalents	<u>2,128,457</u>	<u>626,509</u>
Cash and cash equivalents at the beginning of the year	667,510	174,744
Net increase in cash and cash equivalents	2,128,457	626,509
Exchange Adjustment on revaluation of bank accounts	44,251	(133,743)
Cash and cash equivalents at the end of the year	<u>2,840,218</u>	<u>667,510</u>

The notes on pages 11 to 20 form part of these financial statements

ETFS COMMODITY SECURITIES LIMITED**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Stated Capital USD	Retained Earnings USD	Total Equity USD
Opening Balance at 1 January 2008	2	282,496	282,498
Total comprehensive income for the year	-	895,289	895,289
Balance at 31 December 2008	<u>2</u>	<u>1,177,785</u>	<u>1,177,787</u>
Opening Balance at 1 January 2009	2	1,177,785	1,177,787
Total comprehensive income for the year	-	424,470	424,470
Dividends	-	(1,592,255)	(1,592,255)
Balance at 31 December 2009	<u>2</u>	<u>10,000</u>	<u>10,002</u>

The notes on pages 11 to 20 form part of these financial statements

1. Accounting Policies

The main accounting policies of the Company are described below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these financial statements is in respect of the valuation of Commodity Contracts and Commodity Securities held at fair value through profit or loss as disclosed in note 9.

(a) Standards, amendments and interpretations effective on 1 January 2009:

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in any significant change to the presentation of the Company's performance statement, as the Company has no elements of other comprehensive income.

Amendment to IAS 39 Financial instruments: Recognition and Measurement. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of a financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended.

This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Company's financial statements.

Amendment to IFRS 7 Financial instruments: Disclosures. The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by hierarchy. The fair value hierarchy has the following levels:

- Quoted prices in active markets for the assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The adoption of the amendment results in additional disclosures but does not have an impact on the Company's financial position or performance.

ETFs COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(b) *Standards, amendments and interpretations effective on 1 January 2009 but not relevant to the Company:*

Amendments to IAS 23	Borrowing costs;
Amendments to IAS 39 and IFRIC 9	Embedded derivatives;
Amendments to IAS 39 and IFRS 7	Reclassification of financial assets;
Amendments to IAS 39	Financial instruments: Presentation
Amendments to IFRS 1	First-time adoption of IFRS and IAS 27 Consolidated and separate financial statements;
Amendments to IFRS 2	Share-based payment;
IFRS 8	Operating segments; and
IFRIC 15	Agreements for construction of real estates.

(c) *Standards, amendments and interpretations that are not yet effective and not relevant for the Company's operations:*

The following interpretations are mandatory for the Company's accounting periods beginning on or after 1 July 2009 or later periods but are not relevant for the Company's operations:

Amendments to IAS 27	Consolidated and separate financial statements;
Amendments to IAS 39	Financial instruments: Recognition and measurement;
Amendments to IFRS 1	Additional exemptions for first-time adopters;
Amendments to IFRS 2	Group cash-settled share-based payment transactions;
Amendments to IFRS 3	Business combinations;
IFRIC 17	Distributions of non-cash assets to owners;
IFRIC 18	Transfers of assets from customers; and
IFRS 9	Financial instruments.

'Improvements to IFRS' were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider to be non-urgent but necessary. It comprises amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual accounting periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

Going Concern

The nature of the Company's business dictates that the outstanding Commodity Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Commodity Securities will coincide with the termination of an equal amount of Commodity Contracts, no liquidity risk is considered to arise. All other liabilities of the Company are met by ETFSL; therefore the directors consider the Company to be a going concern and have prepared the financial statements on this basis.

Commodity Securities and Contracts

i) Issuance and Redemption

The Company has entered into a Facility Agreement with UBS to permit the Company to purchase and redeem Commodity Contracts at prices equivalent to Commodity Securities issued or redeemed on the same day. Each time a Commodity Security is issued or redeemed by the Company a matching number and value of Commodity Contracts are purchased or redeemed from UBS. The Commodity Contracts represent financial assets of the Company and the Commodity Securities give rise to financial liabilities.

Financial assets and liabilities are recognised and de-recognised on the trade date.

When Commodity Contracts are redeemed from UBS they are redeemed from the earliest Commodity Contract issued and then the next earliest contract until the redemption has been satisfied. This method is known as first in first out ("FIFO").

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

ii) Pricing

The Commodity Contracts and Securities are priced using the product of commodity indices published by Dow Jones & Company and a multiplier calculated by the Company and agreed with UBS. The multiplier takes into account the daily accrual of the Management Fee and Licence Allowance as well as the incremental capital enhancement component of the Commodity Security, and is the same across all securities within the same class (i.e. all Classic Commodity Securities use the same multiplier).

iii) Designation at fair value through Profit or Loss

Each Commodity Security and Commodity Contract comprises a financial instrument whose redemption price is linked directly to the price of the underlying Commodity future on a one-to-one basis.

These instruments are designated at fair value through the profit or loss upon initial recognition. This is in order to eliminate a measurement mismatch enabling gains or losses on both the Commodity Security and Commodity Contract to be recorded in the statement of comprehensive income.

Commodity Contracts and Securities Awaiting Settlement

The issue or redemption of Commodity Securities, and the purchase or sale of Commodity Contracts, is accounted for on trade date (T). Where settlement pricing is applied, the trade will not settle until T+3. Where trades are awaiting settlement at the year end, they are separately disclosed as such with the relevant assets and liabilities recognised on the statement of financial position.

Revenue Recognition

Revenue is recognised to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Fees received for the issue and redemption of securities are recognised at the date on which the transaction becomes legally binding. All other income and expenses are recognised on an accruals basis.

Interest Income

Interest income is recognised on an accruals basis.

Loans and Receivables

The loans and receivables are non-derivative financial assets with a fixed payment amount and are not quoted in an active market. After initial measurement the loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses on loans and receivables which are impaired are recognised immediately in the statement of comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents include deposits held at call with banks.

Foreign Currency Translation

The presentational and functional currencies of the Company are both USD.

Monetary assets and liabilities denominated in foreign currencies at the year end date are translated at rates ruling at that date. Creation and Redemption fees are translated at the average rate for the quarter in which they are incurred. The resulting differences are accounted for in the statement of comprehensive income.

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

ETFs COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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.

2. Operating Profit

Operating profit for the year comprised:

	Year ended 31 December	
	2009 USD	2008 USD
Creation and Redemption Fees	375,578	1,005,079
Management Fee	18,246,627	12,777,901
License Allowance	1,859,849	1,302,456
Other income	-	973,737
Total revenue	20,482,054	16,059,173
Fees to ETFSL	(20,106,476)	(15,054,094)
Net finance income / (charges)	4,641	23,953
Net foreign exchange gain / (loss)	44,251	(133,743)
Total operating expenses	(20,057,584)	(15,163,884)
Operating profit	424,470	895,289

Audit fees for the year of GBP 19,500 (2008: GBP 22,000) were met by ETFSL.

3. Segmental Reporting

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

For the year ended 31 December 2008:

	Classic	Forward	Short	Leveraged	Central	Total
Creation & Redemption Fees	410,722	188,906	202,270	203,181	-	1,005,079
Management Fees	9,648,273	1,113,074	1,366,591	649,963	-	12,777,901
Licence Allowance	983,452	113,456	139,297	66,251	-	1,302,456
Other income	-	-	-	-	973,737	973,737
Total revenue	11,042,447	1,415,436	1,708,158	919,395	973,737	16,059,173
Total operating expenses	(10,631,725)	(1,226,530)	(1,505,888)	(716,214)	(1,083,527)	(15,163,884)
Segmental profit	410,722	188,906	202,270	203,181	(109,790)	895,289

ETFs COMMODITY SECURITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

For the year ended 31 December 2009:

	Classic	Forward	Short	Leveraged	Central	Total
Creation and Redemption Fees	189,761	21,904	78,310	85,603	-	375,578
Management Fees	13,156,329	766,907	1,243,061	3,080,330	-	18,246,627
Licence Allowance	1,341,003	78,170	126,703	313,973	-	1,859,849
	<u>14,687,093</u>	<u>866,981</u>	<u>1,448,074</u>	<u>3,479,906</u>	<u>-</u>	<u>20,482,054</u>
Total operating expenses	(14,497,332)	(845,077)	(1,369,764)	(3,394,303)	48,892	(20,057,584)
Segmental profit	<u>189,761</u>	<u>21,904</u>	<u>78,310</u>	<u>85,603</u>	<u>48,892</u>	<u>424,470</u>

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

4. Directors' Remuneration

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

	Year ended 31 December	
	2009	2008
	GBP	GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (appointed 2 June 2009)	Nil	Nil
Dr Vince WJ FitzGerald (resigned 2 June 2009)	Nil	Nil
Mr Graeme D Ross	5,000	5,000
Mr Craig A Stewart	5,000	5,000
Dr Leanne M Baker (resigned 2 June 2009)	Nil	Nil
Mr Benjamin M Cukier (resigned 2 June 2009)	Nil	Nil
Mr Jim C Wiandt (resigned 2 June 2009)	Nil	Nil

5. Taxation

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profits arising in the Company for the 2009 year of assessment and future periods will be subject to tax at the rate of zero per cent. In the prior year the Company was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

6. Employee Benefits

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

ETFs COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7. Trade and Other Receivables

	Year ended 31 December	
	2009 USD	2008 USD
Management Fee receivable	2,787,408	558,320
Creation and redemption fees receivable	167,854	498,149
Creation and redemption fees due from related company	22,488	-
Bank interest receivable	132	5,000
Loans and other receivables	-	7,126
Unpaid Stated Capital	-	2
	<u>2,977,882</u>	<u>1,068,597</u>

8. Commodity Contracts

	Fair Value on Purchase USD	Change in Fair Value USD	Fair Value at 31 December 2008 USD
Classic Commodity Contracts	1,654,470,334	(559,761,602)	1,094,708,732
Forward Commodity Contracts	146,688,816	(67,131,954)	79,556,862
Short Commodity Contracts	(53,902,383)	95,705,465	41,803,082
Leveraged Commodity Contracts	198,727,434	(122,098,170)	76,629,264
Total Commodity Contracts	<u>1,945,984,201</u>	<u>(653,286,261)</u>	<u>1,292,697,940</u>
	Fair Value on Purchase USD	Change in Fair Value USD	Fair Value at 31 December 2009 USD
Classic Commodity Contracts	3,836,152,885	457,503,748	4,293,656,633
Forward Commodity Contracts	254,231,403	14,137,725	268,369,128
Short Commodity Contracts	233,918,824	(35,499,768)	198,419,056
Leveraged Commodity Contracts	534,870,402	81,847,555	616,717,957
Total Commodity Contracts	<u>4,859,173,514</u>	<u>517,989,260</u>	<u>5,377,162,774</u>

At the year end there were certain Commodity Contracts awaiting the creation or (redemption) of securities with trade dates before the year end and settlement dates in 2010. The amount (payable) or receivable on completion of these trades is USD (24,069,112) (2008: USD 8,344,144).

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

9. Commodity Securities

	Fair Value on issue USD	Change in Fair Value USD	Fair Value at 31 December 2008 USD
Classic Commodity Securities	1,654,470,334	(559,761,602)	1,094,708,732
Forward Commodity Securities	146,688,816	(67,131,954)	79,556,862
Short Commodity Securities	(53,902,383)	95,705,465	41,803,082
Leveraged Commodity Securities	198,727,434	(122,098,170)	76,629,264
Total Commodity Securities	1,945,984,201	(653,286,261)	1,292,697,940

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Leveraged Commodity Securities	534,870,402	81,847,555	616,717,957
Total Commodity Securities	4,859,173,514	517,989,260	5,377,162,774

At the year end there were certain Commodity Securities awaiting the creation or (redemption) with trade dates before the year end and settlement dates in 2010. The amount payable or (receivable) on completion of these trades is USD 24,069,112 (2008: USD (8,344,144)).

Whilst the Commodity Securities are quoted on the open market, the Company's liability relates to its contractual obligations to trade with certain counterparties at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAV's of each class of Commodity Security. Therefore, Commodity Securities and Commodity Contracts are classified as level 2 financial liabilities and financial assets respectively, as the Company's asset and liability is calculated using third party pricing sources supported by observable, verifiable inputs.

	Fair value 2009 USD	Fair value 2008 USD
Level 2	5,377,162,774	1,292,697,940

There are no assets or liabilities classified in levels 1 or 3. There were no reclassifications between levels during the year.

10. Trade and Other Payables

	2009 USD	2008 USD
Management Fee and Licence Allowance payable to ETFSL	5,229,206	558,320
Dividends payable to ETFSL	578,892	-
	5,808,098	558,320

ETFs COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

11. Stated Capital

	2009	2008
	USD	USD
2 shares of nil par value	<u>2</u>	<u>2</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.

12. Related Party Disclosures

The immediate and ultimate parent company is ETFSL, a Jersey company.

Entities and individuals which have a significant influence over the Company either through the ownership of ETFSL shares, or by virtue of being a director of the Company are related parties.

The following balances were due (to) / from ETFSL at year end:

	2009	2008
	USD	USD
Management Fees and Licence Allowance payable	(5,229,206)	(558,320)
Loan receivable	2,534	7,126
Stated capital receivable	-	2
Net amounts due to ETFSL	<u>(5,226,672)</u>	<u>(551,192)</u>

As disclosed in note 4 above, ETF Securities Limited paid Directors fees in respect of the Company of GBP 10,000 (2008: GBP 10,000).

Graeme Ross and Craig Stewart are directors of R&H Fund Services (Jersey) Limited, the administrator, and Computershare Investor Services (Jersey) Limited, the registrar. During the year, R&H charged ETFSL secretarial and administration fees in respect of the Company of GBP 190,000 (2008: GBP 175,000), of which GBP 18,750 (2008: GBP 12,500) was outstanding at the year end. Computershare charged ETFSL fees in respect of the Company of GBP 117,955 (2008: GBP 8,294), of which GBP 20,000 (2008: GBP 3,521) was outstanding at the year end.

The Company is owed USD 22,488 in respect of creation and redemption fees paid to ETFs Metal Securities Limited, a subsidiary of ETFSL, in error.

Graham J Tuckwell is also a director of the parent company, ETFSL.

13. Financial Risk Management

The Company is exposed to a number of risks arising from its activities. The risk management policies employed by the Company to manage these are discussed below.

(a) Interest Rate Risk

The Company does not have significant exposure to interest rate risk as neither the Commodity Contracts or the Commodity Securities bear any interest.

ETFs COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Company holds a current account at a large international bank and this is where the cash received from the creation and redemption fees is held. The rate of interest received on the account is at the bank's variable rate. Due to the level of cash held in the account the directors do not believe that any move in interest rates would seriously affect the operations of the Company.

(b) *Market Risk*

The Company's liability in respect of the Commodity Securities issued is related to the commodity price by reference to the futures market as quoted on the relevant futures Exchanges and is managed by the Company by entering into Commodity Contracts with UBS which exactly match the liability created by the issue of Commodity Securities. The Company therefore bears no financial risk from a change in the price of commodity by reference to the futures price.

However there is an inherent risk from the point of view of investors as the price of commodities, and thus the value of the Commodity Securities, may vary widely. The market price of Commodity Securities is a function of supply and demand amongst investors wishing to buy and sell Commodity Securities and the bid-offer spread that the market makers are willing to quote.

(c) *Credit Risk*

The value of Commodity Securities and the ability of the Company to repay the redemption price is dependent on the receipt of such amount from UBS and may be affected by the credit rating attached to UBS.

The obligation of UBS under the Commodity Contracts ranks only as an unsecured claim against UBS. To cover the credit risk under the Commodity Contracts, UBS is obliged to place an equivalent amount of collateral into a pledge account with Bank of New York based on the total outstanding value of the Commodity Contracts at the end of the previous trading day. In the event of default by UBS, the Company has rights over the amounts placed in this pledge account.

The Company's cash is held at Royal Bank of Scotland International in Jersey. The directors do not feel that there is a great risk to the Company by holding all the cash with the one bank as the Company intends to distribute the monies held quarterly to the shareholders by way of a dividend. As a result there will be minimal cash held in the bank account at any given time.

(d) *Liquidity Risk*

Generally, there is no liquidity risk to the Company because the maturity profile of the securities and contracts is exactly matched. Therefore, the Company doesn't have to wait for a longer-term contract to mature in order to pay its debts to ex-security holders.

(e) *Sensitivity Analysis*

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the entity is exposed to at the reporting date, showing how comprehensive income and shareholders equity would have been affected by a reasonably possible change to the relevant risk variable.

As disclosed in the director's report, the Company's liability in connection with the issue of Commodity Securities is matched by movements in corresponding Commodity Contracts. Consequently the Company is not exposed to market price risk.

Therefore, in the director's opinion no sensitivity analysis is required to be disclosed.

(f) *Capital Management*

The Company's principal activity is the listing and issue of Commodity Securities. These securities are issued as demand requires. The Company holds a corresponding amount of Commodity Contracts which exactly matches the total securities issued. ETFSL supplies and or arranges for the supply of all administrative services to the Company and pays all management and administration costs of the Company, in return for which the Company pays ETFSL a fee equal to the Management Fee and Licence Allowance charged to the Commodity Securities.

As all Commodity Securities on issue are supported by an equivalent amount of Commodity Contracts held by UBS and the running costs of the Company are paid by ETFSL, the directors of the Company consider the capital management and value of Shareholders Funds are adequate to maintain the on-going listing and issue of Commodity Securities.

(g) Settlement Risk

The directors believe that settlement risk would only be caused by the risk of the Company's trading counterparty not delivering cash or securities on the settlement date. The directors feel that this risk is mitigated as a result of the cash or securities settling through the registrar's CREST system. The system ensures that the transaction does not settle until both parties have fulfilled their sides of the bargain.

14. Ultimate Controlling Party

As the majority shareholder in the Company's parent entity, ETFSL, the ultimate controlling party is Graham J Tuckwell.