

**ETFS COMMODITY SECURITIES LIMITED**

**Registered No: 90959**

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

# ETFS COMMODITY SECURITIES LIMITED

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# ETFS COMMODITY SECURITIES LIMITED

## DIRECTORS' REPORT

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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 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

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
Classic Commodity Securities	37	29	29	28
Forward Commodity Securities	14	10	10	5
Short Commodity Securities	33	10	33	-
Leveraged Commodity Securities	33	10	33	-
Total Commodity Securities	117	59	105	33

As at 30 June 2011, assets under management amounted to USD 6,762 million (31 December 2010: USD 6,515 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 2011	30 June 2010
	USD	USD
Management Fee and Licence Allowance	21,545,229	16,070,479
Creation and Redemption Fees	276,164	233,681
Total Fee and Related Income	21,821,393	16,304,160

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 of:

	30 June 2011	30 June 2010
	USD	USD
Operating Profit for the Period	-	238,916

# ETFS COMMODITY SECURITIES LIMITED

## DIRECTORS' REPORT - CONTINUED

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### Review of Operations – continued

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.

### 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 of USD Nil (30 June 2010: USD 538,952). 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 COMMODITY SECURITIES LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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The directors are responsible for preparing the 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, 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

**ETFS COMMODITY SECURITIES LIMITED****CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Period ended 30 June	
		2011 Unaudited USD	2010 Unaudited USD
<b>Revenue</b>	2	21,821,393	16,304,160
<b>Expenses</b>			
Fees to ETFSL	2	-	(16,070,479)
Fees to ManJer	2	(21,829,629)	-
Other Operating Income		8,236	5,235
<b>Operating Profit</b>	2	-	238,916
Net (Loss)/Gain Arising on Fair Value of Commodity Contracts	8	(254,567,660)	806,714,710
Net Gain/(Loss) Arising on Fair Value of Commodity Securities	9	254,567,660	(806,714,710)
<b>Profit and Total Comprehensive Income for the Period</b>		-	238,916

The directors consider the Company's activities are continuing.

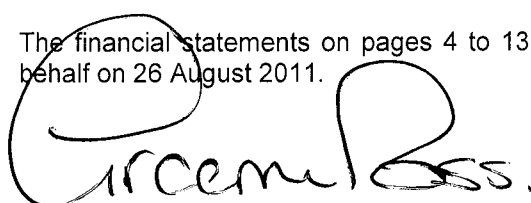
The notes on pages 8 to 13 form part of these financial statements

**ETFS COMMODITY SECURITIES LIMITED**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	Note	As at	
		30 June 2011 Unaudited USD	31 December 2010 Audited USD
<b>Current Assets</b>			
Cash and Cash Equivalents		217,534	17,641
Trade and Other Receivables	7	4,305,562	3,497,546
Commodity Contracts	8	6,761,592,866	6,514,544,587
Amounts Receivable Awaiting Settlement	8	3,434,240	62,132,357
<b>Total Assets</b>		<b>6,769,550,202</b>	<b>6,580,192,131</b>
<b>Current Liabilities</b>			
Commodity Securities	9	6,761,592,866	6,514,544,587
Amounts Payable Awaiting Settlement	9	3,434,240	62,132,357
Trade and Other Payables		4,313,799	3,305,890
<b>Total Liabilities</b>		<b>6,769,340,905</b>	<b>6,579,982,834</b>
<b>Equity</b>			
Stated Capital	10	2	2
Retained Profits		209,295	209,295
<b>Total Equity</b>		<b>209,297</b>	<b>209,297</b>
<b>Total Equity and Liabilities</b>		<b>6,769,550,202</b>	<b>6,580,192,131</b>

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

**ETFS COMMODITY SECURITIES LIMITED**

**CONDENSED STATEMENT OF CASH FLOWS**

	Period ended 30 June	
	2011 Unaudited USD	2010 Unaudited USD
<b>Cash Flows from Operating Activities</b>		
Cash Receipts from Operations	3,505,232	16,412,528
Payments to ETFSL	(3,305,890)	(18,577,171)
Net Proceeds from Issue of Securities	501,615,944	592,920,350
Net Payments for Dealing in Contracts	(501,615,944)	(592,920,350)
Cash Generated from/(Used in) Operations	199,342	(2,164,643)
Bank Interest Received	439	602
Bank Charges Paid	-	(56)
Net Cash Generated from/(Used in) Operating Activities	199,781	(2,164,097)
<b>Cash Flows from Financing Activities</b>		
Dividends Paid	-	(538,952)
Net Cash Used in Financing Activities	-	(538,952)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>199,781</b>	<b>(2,703,049)</b>
Cash and Cash Equivalents at the Beginning of the Period	17,641	2,840,218
Net Increase/(Decrease) in Cash and Cash Equivalents	199,781	(2,703,049)
Exchange Adjustment	112	(32,501)
Cash and Cash Equivalents at the End of the Period	217,534	104,668

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



**ETFS COMMODITY SECURITIES LIMITED****CONDENSED STATEMENT OF CHANGES IN EQUITY**

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	<b>Stated Capital</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Audited Opening Balance at 1 January 2010	2	10,000	10,002
Total Comprehensive Income for the Period	-	238,916	238,916
Unaudited Balance at 30 June 2010	<u>2</u>	<u>248,916</u>	<u>248,918</u>
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>

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

# ETFS COMMODITY SECURITIES 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 year 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.

The accounting policies appropriate to the Company are detailed below.

#### *(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 1 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**

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. 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.

**ETFS COMMODITY SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**2. Operating Profit**

Operating profit for the period comprised:

	<b>Period ended 30 June</b>	
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>2011</b>	<b>2010</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	276,164	233,681
Management Fee	19,552,295	14,583,960
License Allowance	1,992,934	1,486,519
<b>Total Revenue</b>	<b>21,821,393</b>	<b>16,304,160</b>
Fees to ETFSL	-	(16,070,479)
Fees to ManJer	(21,829,629)	-
Net Finance Income	439	414
Net Foreign Exchange Gain	7,797	4,821
<b>Total Operating Expenses</b>	<b>(21,821,393)</b>	<b>(16,065,244)</b>
<b>Operating Profit</b>	<b>-</b>	<b>238,916</b>

**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 period ended 30 June 2010:

	<b>Classic</b>	<b>Forward</b>	<b>Short</b>	<b>Leveraged</b>	<b>Central</b>	<b>Total</b>
Creation and Redemption Fees	132,070	9,624	41,586	50,401	-	233,681
Management Fee	9,768,516	587,570	1,357,167	2,870,707	-	14,583,960
Licence Allowance	995,689	59,890	138,334	292,606	-	1,486,519
<b>Total Revenue</b>	<b>10,896,275</b>	<b>657,084</b>	<b>1,537,087</b>	<b>3,213,714</b>	<b>-</b>	<b>16,304,160</b>
Total Operating (Expenses)/Income	(10,764,205)	(647,460)	(1,495,501)	(3,163,313)	5,235	(16,065,244)
<b>Segmental Profit</b>	<b>132,070</b>	<b>9,624</b>	<b>41,586</b>	<b>50,401</b>	<b>5,235</b>	<b>238,916</b>

# ETFS COMMODITY SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### 3. Segmental Reporting - continued

For the period ended 30 June 2011:

	<u>Classic</u>	<u>Forward</u>	<u>Short</u>	<u>Leveraged</u>	<u>Central</u>	<u>Total</u>
Creation and Redemption Fees	152,893	15,754	28,874	78,643	-	276,164
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
Total Revenue	<u>14,655,530</u>	<u>726,108</u>	<u>1,905,495</u>	<u>4,534,260</u>	<u>-</u>	<u>21,821,393</u>
Total Operating (Expenses)/Income	(14,655,530)	(726,108)	(1,905,495)	(4,534,260)	-	(21,821,393)
<b>Segmental Profit</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 ManJer. In the previous period the fees were met by ETFSL.

	<u>Period ended 30 June</u>	
	<u>Unaudited</u>	<u>Unaudited</u>
	<u>2011</u>	<u>2010</u>
	<u>GBP</u>	<u>GBP</u>
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

### 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.

**ETFS COMMODITY SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**7. Trade and Other Receivables**

	As at	
	30 June 2011	31 December 2010
	Unaudited USD	Audited USD
Management Fee	4,123,735	3,305,890
Creation and Redemption Fees	181,827	191,656
	<u>4,305,562</u>	<u>3,497,546</u>

**8. Commodity Contracts**

	Audited Change in Fair Value at 31 December 2010 USD	Audited Fair Value at 31 December 2010 USD
	Classic Commodity Contracts	562,417,547
Forward Commodity Contracts	6,210,425	227,417,854
Short Commodity Contracts	(59,357,052)	251,849,986
Leveraged Commodity Contracts	(86,657,218)	830,542,553
Total Commodity Contracts	<u>422,613,702</u>	<u>6,514,544,587</u>

	Unaudited Change in Fair Value at 30 June 2011 USD	Unaudited Fair Value at 30 June 2011 USD
	Classic Commodity Contracts	(242,064,519)
Forward Commodity Contracts	(1,746,013)	276,656,633
Short Commodity Contracts	19,105,609	407,832,524
Leveraged Commodity Contracts	(29,862,737)	939,282,500
Total Commodity Contracts	<u>(254,567,660)</u>	<u>6,761,592,866</u>

At the period end there were certain Commodity Contracts awaiting the creation of securities with trade dates before the period end and settlement dates after the period end. The amount payable on completion of these trades is USD 3,434,240 (31 December 2010: USD 62,132,357).

**ETFs COMMODITY SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**9. Commodity Securities**

	<b>Audited Change in Fair Value at 31 December 2010 USD</b>	<b>Audited Fair Value at 31 December 2010 USD</b>
Classic Commodity Securities	562,417,547	5,204,734,194
Forward Commodity Securities	6,210,425	227,417,854
Short Commodity Securities	(59,357,052)	251,849,986
Leveraged Commodity Securities	(86,657,218)	830,542,553
<b>Total Commodity Securities</b>	<b>422,613,702</b>	<b>6,514,544,587</b>

	<b>Unaudited Change in Fair Value at 30 June 2011 USD</b>	<b>Unaudited Fair Value at 30 June 2011 USD</b>
Classic Commodity Securities	(242,064,519)	5,137,821,209
Forward Commodity Securities	(1,746,013)	276,656,633
Short Commodity Securities	19,105,609	407,832,524
Leveraged Commodity Securities	(29,862,737)	939,282,500
<b>Total Commodity Securities</b>	<b>(254,567,660)</b>	<b>6,761,592,866</b>

At the period end there were certain Commodity Securities awaiting the creation with trade dates before the period end and settlement dates after the period end. The amount receivable on completion of these trades is USD 3,434,240 (31 December 2010: USD 62,132,357).

**10. Stated Capital**

	<b>As at</b>	
	<b>30 June 2011 Unaudited USD</b>	<b>31 December 2010 Audited USD</b>
2 Shares of Nil Par Value	2	2

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 2011.

**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.

# ETFs COMMODITY SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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### 12. Related Party Disclosures - continued

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

	As at	
	30 June 2011	31 December 2010
	Unaudited	Audited
	USD	USD
Management Fees and Licence Allowance Payable	-	3,305,890

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

Management Fees and Licence Allowance Payable	4,313,799	-
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As disclosed in note 4 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 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 112,142 (31 December 2010: GBP 200,162), of which GBP 52,246 (31 December 2010: GBP 50,000) was outstanding at the period end.

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

### 13. Ultimate Controlling Party

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