

**ETFs COMMODITY SECURITIES LIMITED**

**Registered No: 90959**

**Unaudited Interim Financial Report for the  
Six Months to 30 June 2010**

# 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"/the "Company"), submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2010.

### 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 Greg J Burgess

Mr Graeme D Ross

Mr Craig A Stewart

### Principal Activities

During the period there were no significant changes in the nature of the Company's activities.

As at 30 June 2010, assets under management amounted to USD 5,196 million (31 December 2009: USD 5,377 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 Fees, the Licence Allowance and additional income from AIG as follows:

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>USD</b>	<b>USD</b>
Management Fee and Licence Allowance	16,070,479	6,513,778
Creation and Redemption Fees	233,681	144,407
Other Income	-	298,958
Total Fee Income	<u>16,304,160</u>	<u>6,957,143</u>

Under the terms of the service agreement with ETF Securities Limited ("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:

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>USD</b>	<b>USD</b>
Operating Profit for the Period	<u>238,916</u>	<u>181,115</u>

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.

# ETFS COMMODITY SECURITIES LIMITED

## DIRECTORS' REPORT - CONTINUED

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### Dividends

During the period the Company made payments of dividends amounting of USD 538,952 (30 June 2009: USD 1,013,361). 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 and that the Company can meet its liabilities as they fall due following payment of the dividend.

### 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:

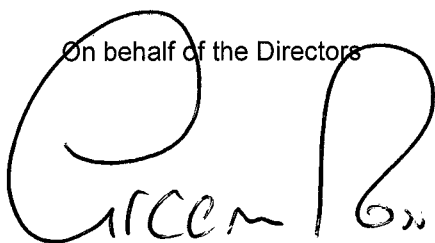
Directors	Ordinary Shares of Nil Par Value
Graham J Tuckwell (as controlling party of ETFSL)	2

### Directors' Remuneration

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

	30 June 2010 Fees GBP	30 June 2009 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (appointed 2 June 2009)	Nil	Nil
Mr Graeme D Ross	2,500	2,500
Mr Craig A Stewart	2,500	2,500

On behalf of the Directors



**Graeme D Ross**  
Director  
Jersey  
27 August 2010

## 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.

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



Graeme Ross  
Director

27 August 2010

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

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	Note	Period ended 30 June	
		Unaudited 2010 USD	Unaudited 2009 USD
<b>Revenue</b>	2	16,304,160	6,957,143
<b>Expenses</b>			
Fees to ETFSL	2	(16,070,479)	(6,812,737)
Other Operating Income		5,235	36,709
<b>Operating Profit</b>	2	<u>238,916</u>	<u>181,115</u>
Net Gain Arising on Fair Value of Commodity Contracts	8	806,714,710	144,993,755
Net Loss Arising on Fair Value of Commodity Securities	9	(806,714,710)	(144,993,755)
<b>Profit and Total Comprehensive Income for the Period</b>		<u><u>238,916</u></u>	<u><u>181,115</u></u>

The directors consider the Company's activities are continuing.

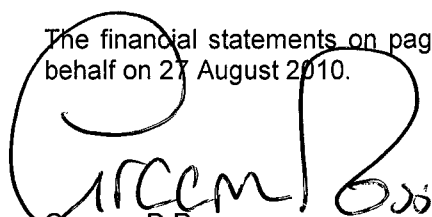
The notes on pages 8 to 13 form an integral part of these financial statements

**ETFS COMMODITY SECURITIES LIMITED**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	Note	As at	
		Unaudited	Audited
		30 June 2010	31 December 2009
		USD	USD
<b>Current Assets</b>			
Cash and Cash Equivalents		104,668	2,840,218
Trade and Other Receivables	7	2,866,764	2,977,882
Commodity Contracts	8	5,195,798,821	5,377,162,774
Amounts Receivable Awaiting Settlement	8	32,430,407	24,069,112
<b>Total Assets</b>		<u>5,231,200,660</u>	<u>5,407,049,986</u>
<b>Current Liabilities</b>			
Commodity Securities	9	5,195,798,821	5,377,162,774
Amounts Payable Awaiting Settlement	9	32,430,407	24,069,112
Trade and Other Payables		2,722,514	5,808,098
<b>Total Liabilities</b>		<u>5,230,951,742</u>	<u>5,407,039,984</u>
<b>Equity</b>			
Stated Capital	10	2	2
Retained Profits		248,916	10,000
<b>Total Equity</b>		<u>248,918</u>	<u>10,002</u>
<b>Total Equity and Liabilities</b>		<u>5,231,200,660</u>	<u>5,407,049,986</u>

The financial statements on pages 4 to 13 were approved by the board of directors and signed on its behalf on 27 August 2010.



Graeme D Ross  
Director

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

**ETFS COMMODITY SECURITIES LIMITED**  
**CONDENSED STATEMENT OF CASH FLOWS**

	<b>Period ended 30 June</b>	
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>2010</b>	<b>2009</b>
	<b>USD</b>	<b>USD</b>
<b>Cash flows from operating activities</b>		
Cash receipts from operations	16,412,528	5,784,089
Payments to ETFSL	(18,577,171)	(5,260,678)
Net proceeds from issue of securities	592,920,350	1,787,426,960
Net payments for dealing in contracts	(592,920,350)	(1,787,426,960)
Cash (used in)/generated from operations	<u>(2,164,643)</u>	<u>523,411</u>
Bank interest received	602	-
Bank charges paid	(56)	(51)
Net cash (used in)/generated from operating activities	<u>(2,164,097)</u>	<u>523,360</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(538,952)	(1,013,361)
Net cash used in financing activities	<u>(538,952)</u>	<u>(1,013,361)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(2,703,049)</u>	<u>(490,001)</u>
Cash and cash equivalents at the beginning of the period	2,840,218	667,510
Net decrease in cash and cash equivalents	(2,703,049)	(490,001)
Exchange adjustment on revaluation of bank accounts	(32,501)	44,251
Cash and cash equivalents at the end of the period	<u>104,668</u>	<u>221,760</u>

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



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

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	<b>Stated Capital</b>	<b>Retained</b>	<b>Total Equity</b>
	<b>USD</b>	<b>Earnings</b>	<b>USD</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Audited opening balance at 1 January 2009	2	1,177,785	1,177,787
Total comprehensive income for the period	-	181,115	181,115
Dividends	-	(1,013,361)	(1,013,361)
Unaudited balance at 30 June 2009	<u>2</u>	<u>345,539</u>	<u>345,541</u>
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>

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

# ETFS COMMODITY SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

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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 2010 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 2009 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 2009. 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 2009.

This half yearly report has not been audited or reviewed by 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.

*Standards, amendments and interpretations effective on 1 January 2010 but not relevant to the company:*

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 payments;
IFRIC 12	Service concession arrangements;
IFRIC 15	Agreements for construction of real estates;
IFRIC 16	Hedges of a net investment in a foreign operation;
IFRIC 17	Distributions of non-cash assets to owners; and
IFRIC 18	Transfers of assets from customers.

#### 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.

## ETFS COMMODITY SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

#### 2. Operating Profit

Operating profit for the period comprised:

	Period ended 30 June	
	Unaudited 2010 USD	Unaudited 2009 USD
Creation and Redemption Fees	233,681	144,407
Management Fee	14,583,960	5,911,254
License Allowance	1,486,519	602,524
Other Income	-	298,958
<b>Total Income</b>	<b>16,304,160</b>	<b>6,957,143</b>
Fees to ETFSL	(16,070,479)	(6,812,737)
Finance Charges	414	(5,051)
Net Foreign Exchange Gain	4,821	41,760
<b>Total Operating Expenses</b>	<b>(16,065,244)</b>	<b>(6,776,028)</b>
<b>Operating Profit</b>	<b>238,916</b>	<b>181,115</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 2009:

	Classic	Forward	Short	Leveraged	Central	Total
Creation and Redemption Fees	82,058	6,340	28,082	27,927	-	144,407
Management Fees	4,470,271	234,074	323,227	883,682	-	5,911,254
Licence Allowance	455,647	23,859	32,946	90,072	-	602,524
Other Income	298,958	-	-	-	-	298,958
	<b>5,306,934</b>	<b>264,273</b>	<b>384,255</b>	<b>1,001,681</b>	<b>-</b>	<b>6,957,143</b>
Total Operating (Expenses)/Income	(5,224,876)	(257,933)	(356,173)	(973,754)	36,708	(6,776,028)
<b>Segmental Profit</b>	<b>82,058</b>	<b>6,340</b>	<b>28,082</b>	<b>27,927</b>	<b>36,708</b>	<b>181,115</b>

## ETF S COMMODITY SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

#### 3. Segmental Reporting - continued

For the period ended 30 June 2010:

	<u>Classic</u>	<u>Forward</u>	<u>Short</u>	<u>Leveraged</u>	<u>Central</u>	<u>Total</u>
Creation and Redemption Fees	132,070	9,624	41,586	50,401	-	233,681
Management Fees	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
	<u>10,896,275</u>	<u>657,084</u>	<u>1,537,087</u>	<u>3,213,714</u>	<u>-</u>	<u>16,304,160</u>
Total Operating Expenses	(10,764,205)	(647,460)	(1,495,501)	(3,163,313)	5,235	(16,065,244)
<b>Segmental Profit</b>	<b><u>132,070</u></b>	<b><u>9,624</u></b>	<b><u>41,586</u></b>	<b><u>50,401</u></b>	<b><u>5,235</u></b>	<b><u>238,916</u></b>

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.

	<u>Period ended 30 June</u>	
	<u>Unaudited</u>	<u>Unaudited</u>
	<u>2010</u>	<u>2009</u>
	<u>GBP</u>	<u>GBP</u>
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (appointed 2 June 2009)	Nil	Nil
Mr Graeme D Ross	2,500	2,500
Mr Craig A Stewart	2,500	2,500

#### 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.

#### 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 FOR THE PERIOD ENDED 30 JUNE 2010**

**7. Trade and Other Receivables**

	Unaudited 30 June 2010 USD	Audited 31 December 2009 USD
Management Fee receivable	2,722,514	2,787,408
Creation and redemption fees receivable	144,250	167,854
Creation and redemption fees due from related company	-	22,488
Bank interest receivable	-	132
	<u>2,866,764</u>	<u>2,977,882</u>

**8. Commodity Contracts**

	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>

	Fair Value on Purchase USD	Change in Fair Value USD	Fair Value at 30 June 2010 USD
Classic Commodity Contracts	4,632,790,066	(582,599,548)	4,050,190,518
Forward Commodity Contracts	244,628,551	(39,578,416)	205,050,135
Short Commodity Contracts	294,197,089	12,577,586	306,774,675
Leveraged Commodity Contracts	830,897,825	(197,114,332)	633,783,493
Total Commodity Contracts	<u>6,002,513,531</u>	<u>(806,714,710)</u>	<u>5,195,798,821</u>

At the period end there were certain Commodity Contracts awaiting the creation/(redemption) of securities with trade dates before the period end and settlement dates after the period end. The amount (payable)/receivable on completion of these trades is USD 32,430,407 (31 December 2009: USD 24,069,112).

# ETFS COMMODITY SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

### 9. Commodity Securities

	Fair Value on issue USD	Change in Fair Value USD	Fair Value at 31 December 2009 USD
Classic Commodity Securities	3,836,152,885	457,503,748	4,293,656,633
Forward Commodity Securities	254,231,403	14,137,725	268,369,128
Short Commodity Securities	233,918,824	(35,499,768)	198,419,056
Leveraged Commodity Securities	534,870,402	81,847,555	616,717,957
<b>Total Commodity Securities</b>	<b>4,859,173,514</b>	<b>517,989,260</b>	<b>5,377,162,774</b>

	Fair Value on issue USD	Change in Fair Value USD	Fair Value at 30 June 2010 USD
Classic Commodity Securities	4,632,790,066	(582,599,548)	4,050,190,518
Forward Commodity Securities	244,628,551	(39,578,416)	205,050,135
Short Commodity Securities	294,197,089	12,577,586	306,774,675
Leveraged Commodity Securities	830,897,825	(197,114,332)	633,783,493
<b>Total Commodity Securities</b>	<b>6,002,513,531</b>	<b>(806,714,710)</b>	<b>5,195,798,821</b>

At the period end there were certain Commodity Securities awaiting the creation/(redemption) with trade dates before the period end and settlement dates after the period end. The amount payable/(receivable) on completion of these trades is USD 32,430,407 (31 December 2009: USD 24,069,112).

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 NAVs 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 Unaudited 30 June 2010 USD	Fair value Audited 31 December 2009 USD
Level 2	5,195,798,821	5,377,162,774

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

### 10. Stated Capital

	30 June 2010 USD	31 December 2009 USD
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.

## ETFSL COMMODITY SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

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#### 11. Contingent Liabilities and Contingent Assets

The Company does not have any material contingent liabilities or contingent assets at 30 June 2010.

#### 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 ETFSL at period end:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>USD</b>	<b>USD</b>
Management Fees and Licence Allowance Payable	(2,722,514)	(5,229,206)
Loan Receivable	-	2,534
Fees Payable at the end of the Period	<u>(2,722,514)</u>	<u>(5,226,672)</u>

As disclosed in note 3 above, ETFSL paid directors fees in respect of the Company of GBP 5,000 (31 December 2009: GBP 10,000).

Graeme D Ross is a director of R&H Fund Services (Jersey) Limited, the administrator, and Computershare Investor Services (Jersey) Limited, the registrar. During the period, R&H Fund Services (Jersey) Limited charged ETFSL secretarial and administration fees in respect of the Company of GBP 100,000 (31 December 2009: GBP 190,000), of which GBP 50,000 (31 December 2009: GBP 18,750) was outstanding at the period end. Computershare charged ETFSL fees in respect of the Company of GBP 146,720 (31 December 2009: GBP 117,955), of which GBP 73,360 (31 December 2009: GBP 20,000) was outstanding at the period end.

Graham J Tuckwell, Graeme D Ross and Craig A Stewart are also directors of the parent company, ETFSL.

#### 13. Ultimate Controlling Party

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