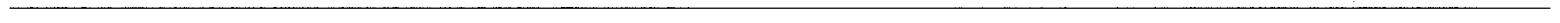


**ETFS COMMODITY SECURITIES LIMITED**

**Registered No: 90959**

**Unaudited Interim Financial Report for the  
Six months to 30 June 2008**



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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 financial period ended 30 June 2008.

#### **Directors**

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

#### **Mr Graham John Tuckwell — Chairman (appointed 19 January 2006)**

Mr Tuckwell is a founder and the chairman of Gold Bullion Securities Limited (Jersey) and Gold Bullion Securities Limited (Australia), which companies obtained the world's first listings of a commodity on a stock exchange. Gold Bullion Securities are traded on the London Stock Exchange (code: GBS) and on the Australian Stock Exchange (code: GOLD). Mr Tuckwell was also the founder and managing director of Investor Resources Limited, a boutique corporate advisory firm established more than eight years ago, which specialises in providing financial, technical and strategic advice to the resources industry. Mr Tuckwell no longer has any association with this Company. He has more than 20 years of corporate and investment banking experience. Prior to establishing Gold Bullion Securities Limited and Investor Resources Limited, Mr Tuckwell was Head of Mining Asia/Pacific at Salomon Brothers, Group Executive Director at Normandy Mining responsible for Strategy and Acquisitions and Head of Mergers and Acquisitions at Credit Suisse First Boston in Australia. He holds a Bachelor of Economics (Honours) and a Bachelor of Laws degree from the Australian National University.

#### **Dr. Vince FitzGerald — Non-Executive Director (appointed 19 January 2006)**

Dr FitzGerald is Chairman of The Allen Consulting Group Pty Ltd, an Australian consulting company in the fields of economics, public policy and economic and financial regulation. He has been a director of that company since 1989, soon after its foundation. Prior to that time, he was a senior government official in Canberra, his career involving assignments in the Departments of the Treasury, Prime Minister and Cabinet, Finance (Deputy Secretary), Trade (Secretary) and Employment, Education and Training (Secretary). He is a well known expert on the superannuation industry in Australia, and is a superannuation fund trustee. During the 10 years to 2004, Dr FitzGerald was a director of ING Australia Holdings Ltd and its subsidiaries, and was Chairman of its Audit and Risk Management Committees. He is a non-executive director of Gold Bullion Securities Limited in Jersey and Australia and chairs the group's Risk Management and Audit Committee. He holds a Bachelor of Economics (First class Honours in Econometrics) from the University of Queensland and a PhD in Economics from Harvard University.

#### **Graeme Ross — Non-Executive Director (appointed 19 January 2006)**

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Mr Ross graduated from Abertay University Dundee in 1980 and joined Arthur Young McClelland Moores in Perth, Scotland. He qualified as a chartered accountant in 1984 and joined KPMG Peat Marwick's practice in Jersey shortly afterwards. Graeme joined the Jersey practice of Rawlinson & Hunter, Chartered Accountants, in 1986 as a manager in the fund administration division. In 1994 he was admitted to the Jersey partnership. Graeme has been the managing director of R&H Fund Services (Jersey) Limited since 1996 and has in-depth knowledge and experience of the fund management industry and in particular retail funds. He has worked in the offshore fund management industry for 18 years and also served as a committee member of the Jersey Fund Managers Association for three years. Graeme is also a director of Computershare Investor Services (Channel Islands) Limited and one of his roles is to maintain the day to day operations of Gold Bullion Securities Limited (Jersey), of which he is a non-executive director.

## ETFS COMMODITY SECURITIES LIMITED

### DIRECTORS' REPORT - CONTINUED

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#### Directors - continued

##### **Craig Stewart — Non-Executive Director (appointed 19 January 2006)**

Mr Stewart graduated from Edinburgh University in 1987 with a degree in Politics and worked in commercial roles for two blue chip companies headquartered in London. In 1993, he joined Arthur Andersen's Audit and Business Advisory practice in Jersey and qualified as a chartered accountant in 1996. He has specialised in the investment fund sector and been particularly involved with retail, institutional and private equity funds. In 1997, he was promoted to manager with sole responsibility for Andersen's asset management clients in European offshore jurisdictions. He was also the manager on a significant number of consulting assignments including controls reviews, operational reviews, due diligence projects, benchmarking studies and forensic investigations. In April 2000, he joined Rawlinson & Hunter's fund administration division and in January 2001 he was promoted to Director of R&H Fund Services (Jersey) Limited. Craig is also a director of Computershare Investor Services (Channel Islands) Limited and a non-executive director of Gold Bullion Securities Limited (Jersey), ETFS Oil Securities Limited and ETFS Metal Securities Limited.

##### **Dr. Leanne M. Baker — Non-Executive Director (appointed 7 August 2006)**

Dr. Baker is managing director of Investor Resources LLC, a U.S.-based corporate advisory firm that provides financial, investment banking and investor relations expertise to the natural resources industry. She holds her required U.S. regulatory licenses as an independent contractor with broker-dealer Puplava Securities Inc. She has more than 20 years of Wall Street research and banking experience, including managing the commodity research team at Philipp Brothers, Inc. in the 1980s and helping to build a metals and mining equity research/banking franchise at Salomon Brothers Inc in the 1990s. She also serves on the boards of directors of Agnico-Eagle Mines Ltd., Kimber Resources Inc., Reunion Gold Corporation and US Gold Corporation. Dr. Baker received her M.S. and Ph.D. degrees in mineral economics from Colorado School of Mines.

##### **Ben Cukier – Non-Executive Director (appointed 20 March 2007)**

Mr Cukier is a Partner in FTVentures (L.P.) with investment responsibilities in Business Services. Mr Cukier was previously with the Telecommunications and Media Team at Madison Dearborn Partners in Chicago. Prior to joining Madison Dearborn Partners, Mr Cukier was with McKinsey & Co. in New York, where he consulted to clients in the telecommunications, Internet, and healthcare industries. Prior to joining FTVentures, Mr Cukier spent a summer working in the Business Development group at Allegiance Telecom. Mr Cukier received his BS and BA from the University of Pennsylvania and an MBA from Stanford.

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### Principal Activities

ETFS Commodity Securities Limited (the "Company") has established a programme under which Micro and Commodity Securities may be issued from time to time. On 24 January 2008 the Directors' approved the issuance of up to USD 1,000,000,000 ETFS Short and Leveraged Commodity Securities comprising 66 different classes of debt security, being 33 classes of Short Commodity Securities and 33 classes of Leveraged Commodity Securities. There are 23 classes of Short Individual Securities, 10 classes of Short Indexed Securities, 23 classes of Leveraged Individual Securities and 10 Classes of Leveraged Index Securities. All transaction documents relating to the new issuance were tabled and approved at the meeting. Consent was requested and given by the Jersey regulator with regard to the issuance of the new securities. During the course of the year all new classes of Short and Leveraged Securities were issued. The Short and Leveraged Commodity Securities are listed on the London Stock Exchange. No application has been or is currently being made to have the Short and Leveraged Securities listed or traded on any exchange or market outside the UK. The Issuer may cause such application to be made in respect of any or all classes thereof on any such exchanges or markets at its discretion.

Short and Leveraged Commodity Securities have been designed to enable investors to gain inverse (i.e. short) and leveraged long exposure to daily movements in commodity prices. The Short and Leveraged Commodity Securities will be priced by reference to Commodity Indices calculated by AIG Financial Products Corp. ("AIG-FP") in conjunction with Dow Jones & Company, Inc. ("Dow Jones") and published by Dow Jones – the Dow Jones-AIG Commodity Indices. The Commodity Indices are calculated by reference to specific commodity futures contracts and these contracts are "rolled" so that the Commodity Indices provide an excess return. Each day the Short Commodity Securities will (before fees and adjustments and in the absence of Market Disruption Events) move in the inverse (opposite) direction to daily changes in the relevant index such that they will increase in Price (before fees or adjustments and in the absence of Market Disruption Events) when the relevant index falls. The Leveraged Commodity Securities will provide an exposure (before fees and adjustments and in the absence of Market Disruption Events) to twice the daily percentage change in the level of a Commodity Index and the Price (before fees and adjustments and in the absence of Market Disruption Events) on each day will change by twice the daily percentage change in the relevant index. No trading or management of futures contracts is required of the Issuer, as it will purchase matching Commodity Contracts from AIG-FP, or in certain circumstances, any other Commodity Contract Counterparty.

### Dow Jones – AIG Commodity Indices and Sub-Indices

#### *Short and Leveraged Securities*

The Commodity Indices are constructed and published pursuant to a joint arrangement between AIG-FP, a wholly owned subsidiary of American International Group Inc. ("AIG") and Dow Jones. The methodology used to calculate these indices is set out in the DJ-AIGCI Handbook.

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Each Individual Commodity Index tracks a designated futures contract and each is designed to reflect two components:

- changes in the current market price (or "spot" price) of the commodity determined from Settlement Prices on a future exchange which trades that commodity. A rise in the spot price of a commodity will be negative value for Short Commodity Securities and positive for Leveraged Commodity Securities. Conversely, a fall in the spot price of a commodity will be positive value for Short Commodity Securities and negative for Leveraged Commodity Securities; and
- the effect of backwardation or contango in that futures market when rolling contracts. If the market is in backwardation, the index may tend to rise over time as lower futures prices converge to higher spot prices; if in contango the index may tend to fall over time, as higher future prices converge to lower spot prices. The effect of backwardation will tend to be negative for Short Commodity Securities and positive Leveraged Commodity Securities. Conversely, the effect of contango will tend to be positive for Short Commodity Securities and negative for Leveraged Commodity Securities.

**Dow Jones – AIG Commodity Indices and Sub-Indices continued**

Dow Jones publishes indices of all the commodities included in the Dow Jones – AIG Commodity Index ("DJ-AIGCI"), including the DJ-AIGCI and a number of sub-indices thereof, and commencing in March 2008 will publish Individual Commodity Indices in respect of Cocoa, Lead, Platinum and Tin. The DJ-AIGCI and sub-indices are constructed using the same inputs as the relevant Individual Commodity Indices. The weighting to be given to each commodity in the DJ-AIGCI is determined and adjusted annually and the weightings for the sub-indices are adjusted accordingly.

The Issuer may, with AIG-FP's agreement, use different commodity indices to Price the Short or Leveraged Commodity Securities.

**Calculation of Prices**

The Price for each class of Short and Leveraged Commodity Security applies to both issues and redemptions of Short and Leveraged Commodity Securities – there is no spread between the issue and redemption price.

The price of each Short or Leveraged Commodity Security is calculated by reference to a formula designed to reflect the daily change in the level of the relevant Commodity Index multiplied by the Leverage Factor (which is –1 for Short Commodity Securities and +2 for Leveraged Commodity Securities) such that the Price (before fees and adjustments and in the absence of Market Disruption Events) of a class of Short or Leveraged Commodity Securities will increase or decrease daily by the Leverage Factor multiplied by the daily percentage change in the relevant Commodity Index.

The price for each class of Short and Leveraged Commodity Security will, in the absence of a Market Disruption Event, be calculated as at the end of each Pricing Day and posted on the Issuer's Webstar at <http://www.etfsecurities.com/csl>.

In the case of an extreme fall in the Price of a Short or Leveraged Commodity Security, the relevant Short or Leveraged Commodity Security could be Compulsorily Redeemed if (i) the Intra-day Price falls to or below zero or (ii) the Price of a Short or Leveraged Commodity Security falls below 2.5 times the Principal Amount and the Issuer had not obtained the sanction of Security Holders of the relevant class to reduce the Principal Amount by Extraordinary Resolution.

**Commodity Contracts**

Short and Leveraged Commodity Securities will be backed by Commodity Contracts with terms corresponding to the terms of Short and Leveraged Commodity Securities. Each time Short and Leveraged Commodity Securities are issued or redeemed, matching Commodity Contracts between the Issuer and a Commodity Contract Counterparty will be created or terminated by the Issuer.

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The Issuer has entered into a Facility Agreement with AIG-FP enabling the Issuer to create and terminate Commodity Contracts on a continuous basis. The Facility Agreement has a minimum term of five and a half years (from February 2008), which may be extended.

**Review of Operations**

During the year, the Company generated Creation and Redemption fees connected with the issue of and redemption of Commodity Securities. Income from these sources amounted to USD562,403 (2007: USD266,468). In addition, the Company received from AIG Financial Products Corp ("AIG – FP") a Management Fee calculated at 0.49% per annum and a License Allowance calculated at 0.05% per annum, based on the total daily value of Commodity Contracts outstanding. Income from this source amounted to USD7,533,140 (2007: USD3,986,790), giving a total trading income of USD8,095,543 (2007: USD4,253,258) for the period.

## ETFs COMMODITY SECURITIES LIMITED

### DIRECTORS' REPORT - CONTINUED

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#### Review of Operations

The operating costs of the Company over the same period amounted to USD7,533,140 (2007: USD3,986,790). These comprised paying to ETFSL a Management fee of 0.49% per annum and the License Allowance of 0.05% per annum, based on the total daily value of Commodity Securities outstanding (equal to the value of Commodity Contracts outstanding).

As a result, the Company realised a profit from trading operations of USD562,403 (2007: USD266,468), excluding bank interest received.

#### Future Developments

The directors are not aware of any further 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 financial statements.

#### Dividends

The directors do not recommend the provision or payment of a dividend to holders of Ordinary Shares 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 retained reserves.

#### Employees

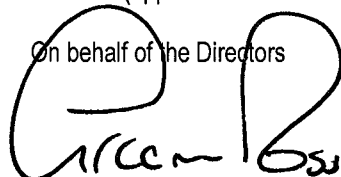
The Company does not have any employees. It is the Company's policy to use the services of specialist subcontractors or consultants as far as possible.

#### Directors' Remuneration

The following table discloses the remuneration of the directors of the Company which has been paid by the Company or by the parent company, ETFSL during the financial period:

Name	Fees	
	<u>2008</u>	<u>2007</u>
<b>Specified Directors:</b>		
Graham J Tuckwell	Nil	Nil
Stuart Thomas (resigned 7 August 2006)	Nil	Nil
Graeme D Ross (paid by ETFSL)	£2,500	£5,000
Craig A Stewart (paid by ETFSL)	£2,500	£5,000
Vincent WJ FitzGerald	Nil	Nil
Leanne M Baker (appointed 7 August 2006)	Nil	Nil
B Cukier (appointed 20 March 2007)	Nil	Nil

On behalf of the Directors



**Graeme D Ross**  
Director  
Jersey  
27 August 2008

## ETF COMMODITY SECURITIES LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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The directors are responsible for preparing the interim financial statements in accordance with applicable Jersey law and generally accepted accounting principles.

Jersey Company law requires the directors to prepare interim financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 interim financial statements comply with the Law and International Financial Reporting Standards. 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.

The interim directors' report includes a fair review of the business and the associated risks and uncertainties for the period covered by the interim financial statements and the remaining six months of the financial year.

The interim directors' report also includes a fair review of all related party transactions that have occurred during the period covered by the interim financial statements.



ETFS COMMODITY SECURITIES LIMITED

CONDENSED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008

	Note	Period ended 30 June 2008 USD	Year ended 31 December 2007 USD
<b>Revenue From Ordinary Activities</b>			
Increase in fair value of Classic Commodity Contracts	7	306,875,289	156,814,806
Increase in fair value of Forward Commodity Contracts	7	50,678,802	4,385,374
Increase in fair value of Short Commodity Contracts	7	31,201,107	-
Increase in fair value of Leveraged Commodity Contracts	7	18,628,395	-
Creation and Redemption Fees	2	562,403	266,468
Management Fee and License Allowance	2	7,533,140	3,986,790
Bank Interest Received		13,632	7,744
Foreign Exchange Gain		<u>1,799</u>	<u>-</u>
		<u>415,494,567</u>	<u>165,461,182</u>
<b>Expenses From Ordinary Activities</b>			
Increase in the fair value of Commodity Securities	8	306,875,289	156,814,806
Increase in the fair value of Forward Commodity Securities	8	50,678,802	4,385,374
Increase in fair value of Short Commodity Securities	8	31,201,107	-
Increase in fair value of Leveraged Commodity Securities	8	18,628,395	-
Management Fee and License Allowance	2	7,533,140	3,986,790
Bank Charges	2	88	336
Foreign Exchange Loss		<u>-</u>	<u>3,143</u>
		<u>414,916,821</u>	<u>165,190,449</u>
		<u>577,746</u>	<u>270,733</u>
<b>Profit From Ordinary Activities</b>			

The directors consider the Company's activities are continuing.

**Retained Profit**

Retained profit brought forward	282,496	11,763
Profit from ordinary activities	577,746	270,733
Dividend Payable	<u>-</u>	<u>-</u>
<b>Retained Profit carried forward</b>	<u>860,242</u>	<u>282,496</u>

Under IAS 34 the results to 30 June 2007 should be included as a comparative, however there are no comparative figures available for this period. It is the Director's intention to include a complete set of comparatives in the next interim financial statements.

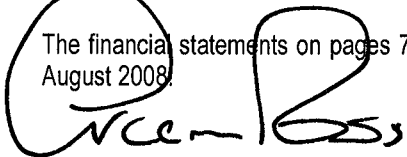
The notes on pages 11 to 28 form part of these financial statements

ETFS COMMODITY SECURITIES LIMITED

CONDENSED BALANCE SHEET AS AT 30 JUNE 2008

	Note	30 Jun 2008 USD	31 Dec 2007 USD
<b>Current Assets</b>			
<i>Financial Assets at fair value through profit or loss</i>			
Classic Commodity Contracts held	7	2,868,237,815	1,329,077,665
Forward Commodity Contracts held	7	319,329,079	52,397,983
Short Commodity Contracts held	7	328,767,165	-
Leveraged Commodity Contracts held	7	142,252,351	-
Classic Commodity Contracts awaiting settlement	7	5,333,752	14,644,034
Short Commodity Contracts awaiting settlement	7	10,928,395	-
Leveraged Commodity Contract awaiting settlement	7	9,717,448	-
<i>Other current assets</i>			
Debtors	6	5,584	9,180
Management Fee and License Allowance receivable		1,694,147	588,137
Creation and Redemption Fees receivable		494,363	98,644
Cash		360,297	174,744
Amounts Receivable on Classic Commodity Securities awaiting settlement	7	5,333,752	14,644,034
Amounts Receivable on Short Commodity Securities awaiting settlement	7	10,928,395	-
Amounts Receivable on Leveraged Commodity Securities awaiting settlement	7	9,717,448	-
<b>Total Current Assets</b>		<b>3,713,099,991</b>	<b>1,411,634,421</b>
<b>Current Liabilities</b>			
<i>Financial Liabilities at fair value through profit or loss</i>			
Classic Commodity Securities in issue	8	2,868,237,815	1,329,077,665
Forward Commodity Securities in issue	8	319,329,079	52,397,983
Short Commodity Securities in issue	8	328,767,165	-
Leveraged Commodity Securities in issue	8	142,252,351	-
Classic Commodity Securities awaiting settlement	8	5,333,752	14,644,034
Short Commodity Securities awaiting settlement	8	10,928,395	-
Leveraged Commodity Securities awaiting settlement	8	9,717,448	-
<i>Other current liabilities</i>			
Trade Creditors		1,694,147	588,137
Other Creditors and Accruals		-	70
Amounts Payable on Classic Commodity Contracts awaiting settlement	8	5,333,752	14,644,034
Amounts Payable on Short Commodity Contracts awaiting settlement	8	10,928,395	-
Amounts Payable on Leveraged Commodity Contracts awaiting settlement	8	9,717,448	-
<b>Total Current Liabilities</b>		<b>3,712,239,747</b>	<b>1,411,351,923</b>
<b>Equity</b>			
Stated Capital	9	2	2
Retained Profits		860,242	282,496
Total Equity		860,244	282,498
<b>Total Equity and Liabilities</b>		<b>3,713,099,991</b>	<b>1,411,634,421</b>

The financial statements on pages 7 to 28 were approved by the board of directors and signed on its behalf on 27 August 2008.

  
Graeme D Ross  
Director

The notes on pages 11 to 28 form part of these financial statements

ETFS COMMODITY SECURITIES LIMITED

CONDENSED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008

	Period ended 30 June 2008 USD	Year ended 31 December 2007 USD
<b>Cash Flows from Operating Activities</b>		
Management Fee and License Allowance received	6,427,130	3,421,654
Net Proceeds from the issue of Commodity Securities	1,389,099,667	1,115,939,493
Net Proceeds from the issue of Forward Commodity Securities	220,637,668	48,012,609
Net Proceeds from the issue of Short Commodity Securities	297,566,058	-
Net Proceeds from the issue of Leveraged Commodity Securities	123,623,956	-
Creation and Redemption Fees received	166,684	179,585
Net Payment for purchase of Commodity Contracts	(1,389,099,667)	(1,115,939,493)
Net Payment for purchase of Forward Commodity Contracts	(220,637,668)	(48,012,609)
Net Payments for purchase of Short Commodity Securities	(297,566,058)	-
Net Payments for purchase of Leveraged Commodity Securities	(123,623,956)	-
Management Fee and License Allowance paid	(6,427,130)	(3,421,654)
Bank Charges paid	(160)	(266)
<i>Net cash provided by operating activities</i>	166,524	179,319
<b>Cash Flows from Investing Activities</b>		
Bank Interest received	17,230	4,146
<i>Net cash provided by investing activities</i>	17,230	4,146
<b>Cash Flows from Financing Activities</b>		
Loans made	-	(5,580)
<i>Net cash (used in) financing activities</i>	-	(5,580)
<b>Net Increase in Cash and Cash Equivalents</b>	183,754	177,885
Exchange adjustment on revaluation of bank account	1,799	(3,143)
<i>Cash and Cash Equivalents at the beginning of the period/year</i>	174,744	2
<b>Cash and Cash Equivalents at the end of the period/year</b>	<b>360,297</b>	<b>174,744</b>

Under IAS 34 the results to 30 June 2007 should be included as a comparative, however there are no comparative figures available for this period. It is the Director's intention to include a complete set of comparatives in the next interim financial statements.

The notes on pages 11 to 28 form part of these financial statements

ETFS COMMODITY SECURITIES LIMITED

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2008

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	Share Premium USD	Retained profit USD	Total equity USD
Opening Balance as at 1 January 2007	2	11,763	11,765
Profit for the period	-	270,733	270,733
<b>Balance at 31 December 2007</b>	<b><u>2</u></b>	<b><u>282,496</u></b>	<b><u>282,498</u></b>
Opening Balance as at 1 January 2008	2	282,496	282,498
Profit for the period	-	<u>577,746</u>	<u>577,746</u>
<b>Balance at 30 June 2008</b>	<b><u>2</u></b>	<b><u>860,242</u></b>	<b><u>860,244</u></b>

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The notes on pages 11 to 28 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 2008 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 accounts should be read in conjunction with the annual financial statements for the year ended 31 December 2007 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 2007. 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 2007.

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

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2007.

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 not impacting on the company, issued but not effective for the period ended 30 June 2008:***

IAS 23, Borrowing Costs. Revised

IFRIC 11, IFRS2: Group and Treasury Share Transactions

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IFRIC 12, Service Concession Arrangements

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IFRIC 13, Customer Loyalty Programmes

***Segmental Reporting***

The Company has not provided segment information, as the Company has only one business/geographical segment and all information relevant to the understanding of the Company's activities is included in these financial statements.

**ETFS COMMODITY SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED**

**2. Profit from Ordinary Activities**

Profit from ordinary activities includes the following items of revenue and expense:

a)	<b>Unaudited Period ended 30 June 2008 USD</b>	<b>Audited Year ended 31 December 2007 USD</b>
Revenue from ordinary activities includes:		
Creation Fees	562,403	266,468
Management Fee receivable from AIG	6,835,677	3,617,669
License allowance receivable from AIG	<u>697,463</u>	<u>369,121</u>
	<u>8,095,543</u>	<u>4,253,258</u>

The Creation and Redemption Fees are receivable from the Authorised Participants. The amount received was £500 for each day that an Authorised Participant creates and/or redeems, regardless of the number of creations and/or redemptions that they issue and/or redeem.

The Management Fee is calculated at 0.49% per annum and the License allowance is calculated at 0.05% per annum, based on the total daily value of Commodity Contracts outstanding.

b)	<b>Unaudited Period ended 30 June 2008 USD</b>	<b>Audited Year ended 31 December 2007 USD</b>
Expenses include:		
Management Fee and License Allowance payable to ETFSL	7,533,140	3,986,790
Bank Charges	<u>88</u>	<u>336</u>
	<u>7,533,228</u>	<u>3,987,126</u>

**3. Directors' Remuneration**

The directors of ETFS Commodity Securities Limited during the period were:

- Mr Graham John Tuckwell
- Dr Vincent William John FitzGerald
- Mr Stuart Thomas (resigned 7 August 2006)
- Dr Leanne Baker (appointed 7 August 2006)
- Mr Graeme David Ross
- Mr Craig Andrew Stewart
- Mr Ben Cukier (appointed 20 March 2007)

The parent entity reviews and revises remuneration packages of all specified directors from time-to-time. The following table discloses the remuneration of the directors of the Company, and details of whether these have been paid by the Company or ETFSL (the parent company) during the period:

<b>Specified Directors:</b>	<b>Unaudited Period ended 30 June 2008 Fees</b>	<b>Audited Year ended 31 December 2007 Fees</b>
Graham J Tuckwell	Nil	Nil
John Stuart Thomas (resigned 7 August 2006) (paid by ETFSL)	Nil	Nil
Vincent W J FitzGerald	Nil	Nil
Graeme D Ross (paid by ETFSL)	£2,500	£5,000
Craig A Stewart (paid by ETFSL)	£2,500	£5,000
Ben Cukier (appointed 20 March 2007)	Nil	Nil

**ETFS COMMODITY SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED**

**3. Directors' Remuneration continued**

Mr Tuckwell and Mr Cukier are not entitled to receive any emoluments in respect of their Directorships. No fees have been paid to any of the Directors' during the period.

**4. Jersey Exempt Company**

Under Article 123A of the Income Tax (Jersey) law 1961, as amended, the Company has obtained Jersey exempt company status for the period and is therefore exempt from Jersey income tax on non-Jersey source income and bank interest (by concession). A £600 annual exempt company fee is payable by the company. This fee is paid by ETFSL and is not recognised within these financial statements.

**5. Employee Benefits**

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

**6. Debtors**

	Unaudited 30 Jun 2008 USD	Audited 31 Dec 2007 USD
Unpaid stated capital (see note 12)	2	2
Bank Interest Receivable	-	3,598
Due from ETFSL (see note 12)	<u>5,582</u>	<u>5,580</u>
	<u>5,584</u>	<u>9,180</u>

**7. Commodity Contracts held for Commodity Securities Issued**

**Individual securities**

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Natural Gas	23,355,521	36,318,426	37,914,783	74,233,209
Crude Oil	541,803	34,546,212	11,094,862	45,641,074
Gasoline	119,100	5,829,292	2,078,275	7,907,567
Heating Oil	180,582	5,728,155	2,957,480	8,685,635
Aluminium	2,679,837	23,129,344	1,228,022	24,357,366
Copper	642,153	27,022,704	2,988,219	30,010,923
Zinc	1,319,928	14,767,532	(3,408,752)	11,358,780
Nickel	665,692	23,076,979	(4,848,098)	18,228,881
Gold	10,566,511	124,766,270	12,000,031	136,766,301
Silver	2,641,548	48,048,763	8,090,283	56,139,046
Live Cattle	5,904,141	56,855,662	1,617,039	58,472,701
Lean Hogs	36,298,500	71,485,503	(6,293,626)	65,191,877
Wheat	31,903,499	148,266,387	(6,330,275)	141,936,112
Corn	20,956,848	41,328,859	28,416,384	69,745,243
Soybeans	3,561,362	69,965,805	10,222,990	80,188,795
Sugar	5,752,969	87,297,371	243,110	87,540,481
Cotton	33,252,367	90,532,758	(10,079,471)	80,453,287
Coffee	15,769,000	53,170,923	3,028,375	56,199,298
Soybean Oil	1,249,323	14,741,946	1,941,533	16,683,479
		976,878,891	92,861,164	1,069,740,055

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED

**Micro securities**

<b>Contract</b>	<b>Contracts on issue</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Change in fair value</b>	<b>Fair Value at Balance Sheet date</b>
Natural Gas	1,000,000	2	1	3
Crude Oil	1,000,000	57	27	84
Gasoline	1,000,000	50	16	66
Heating Oil	1,000,000	31	17	48
Aluminium	1,000,000	7	2	9
Copper	1,000,000	37	10	47
Zinc	1,000,000	11	(2)	9
Nickel	1,000,000	33	(6)	27
Gold	1,000,000	12	1	13
Silver	1,000,000	18	3	21
Live Cattle	1,000,000	10	0	10
Lean Hogs	1,000,000	2	0	2
Wheat	1,000,000	5	0	5
Corn	1,000,000	2	1	3
Soybeans	1,000,000	18	5	23
Sugar	1,000,000	15	0	15
Cotton	1,000,000	3	0	3
Coffee	1,000,000	3	0	3
Soybean Oil	1,000,000	10	3	13
		326	78	404
<b>Sub Total</b>		<b>976,879,217</b>	<b>92,861,242</b>	<b>1,069,740,459</b>

**Indexed Securities**

<b>Contract</b>	<b>Contracts on issue</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Change in fair value</b>	<b>Fair Value at Balance Sheet date</b>
		USD	USD	USD
All Commodities	5,530,500	118,326,969	20,591,998	138,918,967
Energy	1,271,926	41,684,208	14,954,732	56,638,940
Ex-Energy	2,280,000	28,686,520	3,260,397	31,946,917
Petroleum	454,811	29,019,228	4,189,272	33,208,500
Industrial Metals	3,220,621	71,152,342	1,692,741	72,845,083
Precious Metals	13,077,843	190,881,628	9,674,313	200,555,941
Livestock	12,197,190	68,876,598	(851,170)	68,025,428
Agriculture	100,954,099	893,454,763	116,169,383	1,009,624,146
Grains	14,190,120	102,395,489	27,062,862	129,458,351
Softs	8,950,230	39,525,771	17,749,312	57,275,083
		1,584,003,516	214,493,840	1,798,497,356
<b>Total</b>		<b>2,560,882,733</b>	<b>307,355,082</b>	<b>2,868,237,815</b>



ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED

Commodity Contracts to be purchased on settlement date

Individual securities

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Natural Gas	150,000	476,760	0	476,760
Crude Oil	75,000	6,317,943	0	6,317,943
Zinc	(100,000)	(886,943)	26,383	(860,560)
Gold	200,000	2,596,981	(8,307)	2,588,674
Silver	(100,000)	(2,089,934)	(35,299)	(2,125,233)
Live Cattle	175,000	1,745,152	(12,009)	1,733,143
Lean Hogs	200,000	368,250	(9,051)	359,199
Wheat	1,650,000	7,767,499	(426,781)	7,340,718
Sugar	285,000	4,326,224	10,499	4,336,723
Cotton	538,200	1,348,141	(45,979)	1,302,162
Coffee	(318,644)	(1,130,799)	(4,819)	(1,135,618)
		20,839,274	(505,363)	20,333,911

Indexed Securities

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Energy	10,000	443,955	1,346	445,301
Industrial Metals	(121,000)	(2,723,060)	(13,758)	(2,736,818)
Precious Metals	300,000	4,577,779	22,886	4,600,665
Livestock	50,000	284,175	(5,318)	278,857
Agriculture	(1,485,000)	(14,871,638)	20,414	(14,851,224)
Grains	(300,000)	(2,736,940)	-	(2,736,940)
<b>Total</b>		(15,025,729)	25,570	15,000,159
<b>Sub Total</b>		5,813,545	(479,793)	5,333,752
<b>Total</b>		<b>2,566,696,278</b>	<b>306,875,289</b>	<b>2,873,571,567</b>

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED

Forward Commodity Contracts held for Forward Commodity Securities Issued

Forward Individual securities

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Natural Gas	282,561	(416,157)	15,047,859	14,631,702
Crude Oil	-	-	-	-
Gasoline	-	-	-	-
Heating Oil	27,000	2,440,147	458,934	2,899,081
Aluminium	-	-	-	-
Copper	-	-	-	-
Zinc	-	-	-	-
Nickel	-	-	-	-
Gold	-	-	-	-
Silver	-	-	-	-
Live Cattle	1,104,285	17,558,964	456,164	18,015,128
Lean Hogs	38,000	1,101,812	(98,241)	1,003,571
Wheat	-	-	-	-
Corn	-	-	-	-
Soybeans	-	-	-	-
Sugar	-	-	-	-
Cotton	-	-	-	-
Coffee	-	-	-	-
Soybean Oil	-	-	-	-
		20,684,766	15,864,716	36,549,482

Forward Micro securities

Natural Gas	1,000,000	30	22	52
Crude Oil	1,000,000	101	55	156
Gasoline	1,000,000	107	41	148
Heating Oil	1,000,000	68	40	108
Aluminium	1,000,000	10	3	13
Copper	1,000,000	52	15	67
Zinc	1,000,000	14	(3)	11
Nickel	1,000,000	48	(8)	40
Gold	1,000,000	12	1	13
Silver	1,000,000	19	3	22
Live Cattle	1,000,000	15	1	16
Lean Hogs	1,000,000	27	0	27
Wheat	1,000,000	14	1	15
Corn	1,000,000	5	3	8
Soybeans	1,000,000	17	6	23
Sugar	1,000,000	19	2	21
Cotton	1,000,000	5	0	5
Coffee	1,000,000	4	0	4
Soybean Oil	1,000,000	15	5	20
		582	187	769
<b>Sub Total</b>		<b>20,685,348</b>	<b>15,864,903</b>	<b>36,550,251</b>

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED

**Forward Indexed Securities**

<b>Contract</b>	<b>Contracts on issue</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Change in fair value</b>	<b>Fair Value at Balance Sheet date</b>
		USD	USD	USD
All Commodities	131,000	4,380,513	1,480,755	5,861,268
Energy	23,908	(3,980,392)	6,850,725	2,870,333
Ex-Energy	76,000	1,555,780	180,364	1,736,144
Petroleum	48,000	5,453,233	1,511,313	6,964,546
Industrial Metals	56,619	7,204,739	(5,418,356)	1,786,383
Livestock	1,322,834	28,923,254	435,412	29,358,666
Agriculture	12,244,090	178,828,702	23,448,795	202,277,497
Grains	1,834,869	21,833,001	7,002,244	28,835,245
Softs	318,842	3,766,099	(677,354)	3,088,745
		247,964,929	34,813,898	282,778,827
<b>Total</b>		<b>268,650,277</b>	<b>50,678,801</b>	<b>319,329,078</b>

**Short Commodity Contracts held for Short Commodity Securities Issued**

**Short Individual securities**

<b>Contract</b>	<b>Contracts on issue</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Change in fair value</b>	<b>Fair Value at Balance Sheet date</b>
		USD	USD	USD
Natural Gas	16,845	721,272	(169,633)	551,639
Crude Oil	7,129,168	267,200,152	(28,908,533)	238,291,619
Gasoline	6,840	428,881	(177,236)	251,645
Heating Oil	6,000	216,441	(21,302)	195,139
Aluminium	33,550	1,608,496	(58,695)	1,549,801
Copper	35,463	1,889,071	(238,315)	1,650,756
Zinc	78,517	3,832,032	842,050	4,674,082
Nickel	86,949	4,473,717	766,176	5,239,893
Gold	44,201	1,365,981	839,779	2,205,760
Silver	30,200	1,827,104	(350,774)	1,476,330
Live Cattle	91,105	17,558,964	456,164	18,015,128
Lean Hogs	102,679	5,722,540	244,855	5,967,395
Wheat	68,602	3,612,591	104,911	3,717,502
Corn	41,419	2,655,779	(1,205,666)	1,450,113
Soybeans	44,472	2,080,810	(165,638)	1,915,172
Sugar	114,755	7,029,015	(245,685)	6,783,330
Cotton	128,050	6,732,236	(159,455)	6,572,781
Coffee	34,099	2,004,626	(277,858)	1,726,768
Soybean Oil	16,076	862,215	(144,219)	717,996
Cocoa	9,898	500,371	(86,839)	413,532
Platinum	5,655	1,435,853	(1,164,666)	271,187
Tin	81,000	3,236,819	(58,226)	3,178,593
Lead	34,912	2,324,547	559,462	2,884,009
		339,319,513	(29,619,343)	309,700,170

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED

<b>Short Indexed Securities</b>				
<b>Contract</b>	<b>Contracts on issue</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Change in fair value</b>	<b>Fair Value at Balance Sheet date</b>
		USD	USD	USD
All Commodities	147,680	7,115,961	(732,089)	6,383,872
Energy	15,000	664,834	(158,296)	506,538
Ex-Energy	6,000	311,409	(15,982)	295,427
Petroleum	56,280	2,174,906	(264,308)	1,910,598
Industrial Metals	63,279	3,129,702	14,937	3,144,639
Precious Metals	10,985	544,874	1,932	546,806
Livestock	18,000	967,958	(19,432)	948,526
Agriculture	101,000	5,197,127	(438,224)	4,758,903
Grains	1,000	50,000	(6,142)	43,858
Softs	9,633	467,776	60,052	527,828
<b>Total</b>		<b>20,624,547</b>	<b>(1,557,552)</b>	<b>19,066,995</b>
<b>Sub Total</b>		<b>359,944,060</b>	<b>(31,176,895)</b>	<b>328,767,165</b>

**Short Commodity Contracts to be purchased on settlement date**

<b>Short Individual securities</b>				
<b>Contract</b>	<b>Contracts on issue</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Change in fair value</b>	<b>Fair Value at Balance Sheet date</b>
		USD	USD	USD
Crude Oil	300,000	10,015,362	12,103	10,027,465
Zinc	5,000	297,801	(153)	297,648
Silver	10,000	488,851	-	488,851
Live Cattle	(46,700)	(2,259,659)	(36,007)	(2,295,666)
Corn	25,000	875,270	-	875,270
Cocoa	7,000	293,753	(1,297)	292,456
		<b>9,711,378</b>	<b>(25,354)</b>	<b>9,686,024</b>

**Short Indexed Securities**

<b>Contract</b>	<b>Contracts on issue</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Change in fair value</b>	<b>Fair Value at Balance Sheet date</b>
		USD	USD	USD
Industrial Metals	25,000	1,241,229	1,142	1,242,371
<b>Total</b>		<b>1,241,229</b>	<b>1,142</b>	<b>1,242,371</b>
<b>Sub Total</b>		<b>10,952,607</b>	<b>(24,212)</b>	<b>10,928,395</b>
<b>Total</b>		<b>370,896,667</b>	<b>(31,201,107)</b>	<b>339,695,560</b>

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED

Leveraged Commodity Contracts held for Leveraged Commodity Securities Issued

Leveraged Individual securities

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Natural Gas	111,911	7,384,442	2,090,398	9,474,840
Crude Oil	138,147	8,598,599	3,576,776	12,175,375
Gasoline	85,377	4,723,846	2,306,073	7,029,919
Heating Oil	87,573	5,158,648	2,800,119	7,958,767
Aluminium	95,900	4,163,948	14,922	4,178,870
Copper	78,833	3,815,645	(49,050)	3,766,595
Zinc	14,000	563,642	(223,167)	340,475
Nickel	24,500	907,141	(409,924)	497,217
Gold	227,989	9,699,201	228,637	9,927,838
Silver	303,984	10,717,161	(190,436)	10,526,725
Live Cattle	20,576	1,056,790	83,797	1,140,587
Lean Hogs	19,243	914,290	(92,318)	821,972
Wheat	915,500	20,451,308	2,696,353	23,147,661
Corn	76,606	4,815,293	1,865,455	6,680,748
Soybeans	77,751	3,641,346	979,756	4,621,102
Sugar	134,266	4,127,287	302,497	4,429,784
Cotton	48,196	1,745,505	(150,332)	1,595,173
Coffee	62,634	2,763,759	71,573	2,835,332
Soybean Oil	80,000	3,652,457	370,381	4,022,838
Cocoa	113,961	5,434,067	1,632,827	7,066,894
Platinum	120,441	5,820,246	159,973	5,980,219
Tin	51,357	3,296,455	345,028	3,641,483
Lead	12,979	632,691	(431,200)	201,491
		114,083,767	17,978,138	132,061,905

Leveraged Indexed Securities

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
All Commodities	6,000	284,234	61,537	345,771
Energy	16,305	1,102,761	320,771	1,423,532
Ex-Energy	1,000	50,000	(4,689)	45,311
Petroleum	8,000	595,408	107,034	702,442
Industrial Metals	4,700	278,126	(95,203)	182,923
Livestock	20,909	1,031,503	19,746	1,051,249
Agriculture	61,000	2,829,540	195,172	3,024,712
Grains	36,000	1,572,841	419,036	1,991,877
Softs	38,043	1,487,406	(64,777)	1,422,629
		9,231,819	958,627	10,190,446
<b>Sub Total</b>		<b>123,315,586</b>	<b>18,936,765</b>	<b>142,252,351</b>

ETFS COMMODITY SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008 - CONTINUED

Leveraged Commodity Contracts to be purchased on settlement date

Leveraged Individual securities

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Natural Gas	10,000	830,775	15,866	846,641
Crude Oil	(3,900)	(344,557)	837	(343,720)
Aluminium	5,000	216,215	1,661	217,876
Gold	34,523	1,489,310	14,003	1,503,313
Silver	10,000	335,225	11,067	346,292
Wheat	100,000	2,862,699	(334,281)	2,528,418
Cotton	32,730	1,104,560	(21,274)	1,083,286
Coffee	15,000	681,742	(2,718)	679,024
Soybean Oil	9,892	493,200	4,223	497,423
Platinum	5,000	246,991	1,272	248,263
Tin	5,000	354,526	-	354,526
		8,270,686	(309,344)	7,961,342

Leveraged Indexed Securities

Contract	Contracts on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Petroleum	20,000	1,755,132	974	1,756,106
<b>Total</b>		1,755,132	974	1,756,106
<b>Sub Total</b>		10,025,818	(308,370)	9,717,448
<b>Total</b>		<b>133,341,404</b>	<b>18,628,395</b>	<b>151,969,799</b>

8. Commodity Securities in Issue

Individual securities

Security	Securities on issue	Financial assets at fair value through profit or loss	Change in fair value	Fair Value at Balance Sheet date
		USD	USD	USD
Natural Gas	23,355,521	36,318,426	37,914,783	74,233,209
Crude Oil	541,803	34,546,212	11,094,862	45,641,074
Gasoline	119,100	5,829,292	2,078,275	7,907,567
Heating Oil	180,582	5,728,155	2,957,480	8,685,635
Aluminium	2,679,837	23,129,344	1,228,022	24,357,366
Copper	642,153	27,022,704	2,988,219	30,010,923
Zinc	1,319,928	14,767,532	(3,408,752)	11,358,780
Nickel	665,692	23,076,979	(4,848,098)	18,228,881

