

平成24年12月期 決算短信（平成24年1月1日～平成24年12月31日）

平成25年4月25日

銘柄名	コード番号	連動対象指標	上場取引所 主要投資資産	東京証券取引所 売買単位
ETFS 総合商品指数 (DJ-UBSCI) 上場投資信託	1684	DJ-UBSCI総合商品指数	(注1)	10
ETFS エネルギー商品指数 (DJ-UBSCI) 上場投資信託	1685	DJ-UBSCIエネルギー商品指数	天然ガス、原油、ガソリン、灯油	10
ETFS 産業用金属商品指数 (DJ-UBSCI) 上場投資信託	1686	DJ-UBSCI産業用金属商品指数	アルミニウム、銅、ニッケル、亜鉛	10
ETFS 農産物商品指数 (DJ-UBSCI) 上場投資信託	1687	DJ-UBSCI農産物商品指数	(注2)	10
ETFS 穀物商品指数 (DJ-UBSCI) 上場投資信託	1688	DJ-UBSCI穀物商品指数	小麦、とうもろこし、大豆	100
ETFS 天然ガス上場投資信託	1689	DJ-UBSCI天然ガス商品指数	天然ガス	100
ETFS WTI原油上場投資信託	1690	DJ-UBSCI原油商品指数	WTI 原油	10
ETFS ガソリン上場投資信託	1691	DJ-UBSCIガソリン商品指数	ガソリン	10
ETFS アルミニウム上場投資信託	1692	DJ-UBSCIアルミニウム商品指数	アルミニウム	100
ETFS 銅上場投資信託	1693	DJ-UBSCI銅商品指数	銅	10
ETFS ニッケル上場投資信託	1694	DJ-UBSCIニッケル商品指数	ニッケル	10
ETFS 小麦上場投資信託	1695	DJ-UBSCI小麦商品指数	小麦	100
ETFS とうもろこし上場投資信託	1696	DJ-UBSCIとうもろこし商品指数	とうもろこし	100
ETFS 大豆上場投資信託	1697	DJ-UBSCI大豆商品指数	大豆	10

(注1) 天然ガス、ブレント原油、WTI原油、ガソリン、灯油、アルミニウム、銅、亜鉛、ニッケル、金、銀、生体牛、赤身豚肉、小麦、トウモロコシ、大豆、砂糖、綿花、コーヒー、大豆油

(注2) 小麦、トウモロコシ、大豆、砂糖、綿花、コーヒー、大豆油

外国投資法人 イーティーエフエス・コモディティ・セキュリティーズ・リミテッド  
 代表者名 グラハム・タックウェル  
 管理会社 ETFセキュリティーズ・マネジメント・カンパニー・リミテッド  
 URL <http://etfsecurities.co.jp>  
 代表者名 グラハム・タックウェル  
 問合せ先責任者 森・濱田松本法律事務所（下瀬伸彦） TEL 03-6212-8316  
 有価証券報告書提出予定日 平成25年6月中  
 分配金支払い開始予定日 該当なし

I ファンドの運用状況

1. 2012年12月決算期の運用状況（平成24年1月1日～平成24年12月31日）

(1) 資産内訳

（百万円未満切捨て）

		主要投資資産		合計（資産）	
		金額	構成比	金額	構成比
ETFS 総合商品指数（DJ-UBSCI）上場投資信託	2012年12月決算期	百万円 31,369	% (100)	百万円 31,369	% (100)
	2011年12月決算期	35,889	(100)	35,889	(100)
ETFS エネルギー商品指数（DJ-UBSCI）上場投資信託	2012年12月決算期	百万円 16,696	% (100)	百万円 16,696	% (100)
	2011年12月決算期	18,568	(100)	18,568	(100)
ETFS 産業用金属商品指数（DJ-UBSCI）上場投資信託	2012年12月決算期	百万円 19,518	% (100)	百万円 19,518	% (100)
	2011年12月決算期	17,141	(100)	17,141	(100)
ETFS 農産物商品指数（DJ-UBSCI）上場投資信託	2012年12月決算期	百万円 41,827	% (100)	百万円 41,827	% (100)
	2011年12月決算期	59,493	(100)	59,493	(100)
ETFS 穀物商品指数（DJ-UBSCI）上場投資信託	2012年12月決算期	百万円 4,091	% (100)	百万円 4,091	% (100)
	2011年12月決算期	6,297	(100)	6,297	(100)
ETFS 天然ガス上場投資信託	2012年12月決算期	百万円 16,821	% (100)	百万円 16,821	% (100)
	2011年12月決算期	25,706	(100)	25,706	(100)
ETFS WTI原油上場投資信託	2012年12月決算期	百万円 31,864	% (100)	百万円 31,864	% (100)
	2011年12月決算期	30,514	(100)	30,514	(100)
ETFS ガソリン上場投資信託	2012年12月決算期	百万円 1,491	% (100)	百万円 1,491	% (100)
	2011年12月決算期	1,759	(100)	1,759	(100)
ETFS アルミニウム上場投資信託	2012年12月決算期	百万円 4,487	% (100)	百万円 4,487	% (100)
	2011年12月決算期	4,076	(100)	4,076	(100)
ETFS 銅上場投資信託	2012年12月決算期	百万円 42,267	% (100)	百万円 42,267	% (100)
	2011年12月決算期	19,178	(100)	19,178	(100)
ETFS ニッケル上場投資信託	2012年12月決算期	百万円 4,745	% (100)	百万円 4,745	% (100)
	2011年12月決算期	4,312	(100)	4,312	(100)
ETFS 小麦上場投資信託	2012年12月決算期	百万円 6,864	% (100)	百万円 6,864	% (100)
	2011年12月決算期	13,596	(100)	13,596	(100)
ETFS とうもろこし上場投資信託	2012年12月決算期	百万円 3,099	% (100)	百万円 3,099	% (100)
	2011年12月決算期	7,583	(100)	7,583	(100)
ETFS 大豆上場投資信託	2012年12月決算期	百万円 6,183	% (100)	百万円 6,183	% (100)
	2011年12月決算期	3,717	(100)	3,717	(100)

（注） 主要投資資産は、平成25年3月26日午前零時（ロンドン時間2013年3月25日午後4時）現在のWM/ロイター終値（スポット・レート）1米ドル=94.34円に基づいて円換算しています。（以下同じ）

## (2) 設定・償還実績

		前営業期間末 発行済口数 (①)	設定口数 (②)	償還口数 (③)	当営業期間末 発行済口数 (①+②-③)
ETFS 総合商品指数 (DJ-UBSCI) 上場投資信託	2012年12月決算期	千口 25,737	千口 18,326	千口 21,189	千口 22,874
	2011年12月決算期	45,926	30,839	51,028	25,737
ETFS エネルギー商品指数 (DJ-UBSCI) 上場投資信託	2012年12月決算期	千口 19,060	千口 9,831	千口 9,905	千口 18,986
	2011年12月決算期	16,969	11,433	9,342	19,060
ETFS 産業用金属商品指数 (DJ-UBSCI) 上場投資信託	2012年12月決算期	千口 11,645	千口 5,708	千口 4,053	千口 13,300
	2011年12月決算期	14,841	8,911	12,107	11,645
ETFS 農産物商品指数 (DJ-UBSCI) 上場投資信託	2012年12月決算期	千口 80,456	千口 12,576	千口 38,318	千口 54,714
	2011年12月決算期	132,670	48,410	100,624	80,456
ETFS 穀物商品指数 (DJ-UBSCI) 上場投資信託	2012年12月決算期	千口 11,678	千口 9,213	千口 14,429	千口 6,462
	2011年12月決算期	12,085	9,792	10,199	11,678
ETFS 天然ガス上場投資信託	2012年12月決算期	千口 1,608,328	千口 455,891	千口 531,919	千口 1,532,300
	2011年12月決算期	1,879,093	645,810	916,575	1,608,328
ETFS WTI原油上場投資信託	2012年12月決算期	千口 12,155	千口 13,798	千口 11,424	千口 14,529
	2011年12月決算期	18,257	16,328	22,430	12,155
ETFS ガソリン上場投資信託	2012年12月決算期	千口 441	千口 355	千口 496	千口 300
	2011年12月決算期	326	1,208	1,093	441
ETFS アルミニウム上場投資信託	2012年12月決算期	千口 9,416	千口 7,984	千口 6,499	千口 10,902
	2011年12月決算期	9,225	7,449	7,258	9,416
ETFS 銅上場投資信託	2012年12月決算期	千口 5,482	千口 13,934	千口 7,796	千口 11,620
	2011年12月決算期	4,923	6,887	6,328	5,482
ETFS ニッケル上場投資信託	2012年12月決算期	千口 2,135	千口 1,540	千口 1,032	千口 2,642
	2011年12月決算期	2,322	1,529	1,717	2,135
ETFS 小麦上場投資信託	2012年12月決算期	千口 84,929	千口 26,538	千口 72,018	千口 39,449
	2011年12月決算期	49,429	91,895	56,395	84,929
ETFS どうもろこし上場投資信託	2012年12月決算期	千口 41,232	千口 20,546	千口 47,478	千口 14,300
	2011年12月決算期	55,569	55,745	70,082	41,232
ETFS 大豆上場投資信託	2012年12月決算期	千口 2,133	千口 3,211	千口 2,453	千口 2,890
	2011年12月決算期	1,769	2,459	2,096	2,133

(注) 上記の設定・償還実績については、営業期末時点の未決済上場投資信託を含んでいません。

## (3) 基準価額

		総資産	負債 <sup>(注)</sup>	資産	売買単位当たり基準価額 (③/当営業期間末 発行済口数) × 売買単位)
ETFS 総合商品指数 (DJ- UBSCI) 上場投資信託	2012年12月決算期 2011年12月決算期	百万円 31,369 35,889	百万円 - -	百万円 31,369 35,889	円 13,713 13,944
ETFS エネルギー商品指 数 (DJ- UBSCI) 上場投資信託	2012年12月決算期 2011年12月決算期	百万円 16,696 18,568	百万円 - -	百万円 16,696 18,568	円 8,793 9,741
ETFS 産業用金属商品指 数 (DJ- UBSCI) 上場投資信託	2012年12月決算期 2011年12月決算期	百万円 19,518 17,141	百万円 - -	百万円 19,518 17,141	円 14,675 14,719
ETFS 農産物商品指数 (D J- UBSCI) 上場投資信託	2012年12月決算期 2011年12月決算期	百万円 41,827 59,493	百万円 - -	百万円 41,827 59,493	円 7,644 7,394
ETFS 穀物商品指数 (DJ- UBSCI) 上場投資信託	2012年12月決算期 2011年12月決算期	百万円 4,091 6,297	百万円 - -	百万円 4,091 6,297	円 63,318 53,919
ETFS 天然ガス上場投資 信託	2012年12月決算期 2011年12月決算期	百万円 16,821 25,706	百万円 - -	百万円 16,821 25,706	円 1,097 1,598
ETFS WTI原油上場投資信託	2012年12月決算期 2011年12月決算期	百万円 31,864 30,514	百万円 - -	百万円 31,864 30,514	円 21,930 25,103
ETFS ガソリン上場投資 信託	2012年12月決算期 2011年12月決算期	百万円 1,491 1,759	百万円 - -	百万円 1,491 1,759	円 49,562 39,825
ETFS アルミニウム上場 投資信託	2012年12月決算期 2011年12月決算期	百万円 4,487 4,076	百万円 - -	百万円 4,487 4,076	円 41,159 43,289
ETFS 銅上場投資信託	2012年12月決算期 2011年12月決算期	百万円 42,267 19,178	百万円 - -	百万円 42,267 19,178	円 36,372 34,982
ETFS ニッケル上場投資 信託	2012年12月決算期 2011年12月決算期	百万円 4,745 4,312	百万円 - -	百万円 4,745 4,312	円 17,956 20,199
ETFS 小麦上場投資信託	2012年12月決算期 2011年12月決算期	百万円 6,864 13,596	百万円 - -	百万円 6,864 13,596	円 17,400 16,008
ETFS とうもろこし上場 投資信託	2012年12月決算期 2011年12月決算期	百万円 3,099 7,583	百万円 - -	百万円 3,099 7,583	円 21,674 18,391
ETFS 大豆上場投資信託	2012年12月決算期 2011年12月決算期	百万円 6,183 3,717	百万円 - -	百万円 6,183 3,717	円 21,390 17,427

(注1) 売買単位は、総合商品指数、エネルギー商品指数、産業用金属商品指数、農産物商品指数、WTI原油、ガソリン、銅、ニッケル、及び大豆については10口、穀物商品指数、天然ガス、アルミニウム、小麦及びとうもろこしについては100口となります。

(注2) 商品上場投資信託1単位当たりの資産は、商品上場投資信託1単位当たりの基準価額に基づいたものとなっています。商品上場投資信託1単位当たりの基準価額は、相応する商品上場投資信託1単位当たりの商品契約の価格に相当するものとなります。各々の商品上場投資信託の裏付けとなっている商品契約の総価値は、相応する商品上場投資信託の残高と等しくなります。このために、純資産額は零となり、総資産額は、商品上場投資信託の裏付けとなる商品契約の総額と等しくなります。

[参考] 外国投資法人の財政状態

	総資産額	総負債額	投資主持分額
	百万円	百万円	百万円
2012年12月決算期	411,362	411,362	0
2011年12月決算期	419,098	419,098	0

(注) 商品上場投資信託は、期限の定めのない、請求権の限定されている発行体による債務です。全出資口は、イーティーエフ・セキュリティーズ・ホールディングス・リミテッドにより保有されています。投資主持分額は、総資産額から総負債額を差し引いたものです。

2. 会計方針の変更

- ① 会計基準等の改正に伴う変更 有・無
- ② ①以外の変更 有・無

**ETFS COMMODITY SECURITIES LIMITED**

**Registered No: 90959**

**Report and Financial Statements for the  
Year ended 31 December 2012**

# ETFS COMMODITY SECURITIES LIMITED

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## ETFS COMMODITY SECURITIES LIMITED

### MANAGEMENT AND ADMINISTRATION

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#### **Directors**

Mr Graham J Tuckwell – Chairman  
Mr Graeme D Ross  
Mr Craig A Stewart  
Mr Joseph L Roxburgh

#### **Registered Office**

Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

#### **Jersey Legal Advisers**

Mourant Ozannes  
22 Grenville Street  
St Helier  
Jersey, JE4 8PX

#### **Manager**

ETFS Management Company (Jersey) Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

#### **Auditor**

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

#### **Commodity Contract Counterparty**

Merrill Lynch Commodities, Inc  
20 East Greenway Plaza  
Suite 700  
Houston, Texas 77046-2006  
United States

#### **Dutch Listing and Paying Agent**

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

#### **Italian Legal Advisers**

Studio Legale Cieri Crocenzi  
Via Antonio Bertolini, 41  
00197 Rome  
Italy

#### **French Listing and Paying Agent**

HSBC  
26 Boulevard Malesherbes  
75008 Paris  
France

#### **Administrator and Company Secretary**

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

#### **English and German Legal Advisers**

Dechert LLP  
160 Queen Victoria Street  
London, EC4V 4QQ  
United Kingdom

#### **Registrar**

Computershare Investor Services (Jersey) Limited  
Queensway House  
Hilgrove Street  
St Helier  
Jersey, JE1 1ES

#### **Trustee**

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

#### **Commodity Contract Counterparty**

UBS Securities LLC  
PO Box 120305  
677 Washington Boulevard  
Stamford, Connecticut 06901-3707  
United States

#### **Dutch Legal Advisers**

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P.O. Box 75640  
1070 AP Amsterdam  
The Netherlands

#### **German Listing and Paying Agent**

HSBC Trinkhaus & Burkhardt AG  
Königsallee 21/23  
40212 Dusseldorf  
Germany

#### **French Legal Advisers**

Simmons & Simmons  
5 Boulevard de la Madeleine  
75001 Paris  
France



## ETFS COMMODITY SECURITIES LIMITED

### DIRECTORS' REPORT

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The directors of ETFS Commodity Securities Limited ("CSL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2012.

#### Directors

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

Mr Graham J Tuckwell - Chairman

Mr Graeme D Ross

Mr Craig A Stewart

Mr Thomas K Quigley (resigned 20 December 2012)

Mr Joseph L Roxburgh (appointed 20 December 2012)

#### Principal Activities

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

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

Commodity Securities are backed by commodity contracts ("Commodity Contracts") with terms corresponding to the terms of Commodity Securities. Each time Commodity Securities are issued or redeemed, matching Commodity Contracts between the Company and a Commodity Contract counterparty are created or cancelled by the Company. The Company has entered into a Facility Agreement with UBS, its Commodity Contract counterparty, enabling the Company to create and cancel Commodity Contracts on an ongoing basis. On 14 March 2011 the Company entered into a Facility Agreement with Merrill Lynch to provide the Company with a further facility for the creation and cancellation of Commodity Contracts.

The Company has entered into a service agreement with ETFS Management Company (Jersey) Limited ("ManJer"), whereby ManJer is responsible for advisory or consultancy services required by the Company, including advertising and all costs relating to the listing and issuance of securities. In return for these services, the Company pays ManJer an amount equal to the management fee and the creation and redemption fees. As a result, amounts in respect of the management fee and creation and redemption fees are transferred directly to ManJer and there are no cash flows through the Company in relation to the management fee and creation and redemption fees.

## ETFS COMMODITY SECURITIES LIMITED

### DIRECTORS' REPORT - CONTINUED

#### Review of Operations

During the year, the Company had the following number of classes, in aggregate, of Commodity Securities in issue and admitted to trading on the following exchanges:

Security	London Stock Exchange	Borsa Italia	Deutsche Börse	NYSE- Euronext Paris	Tokyo Stock Exchange
Classic Commodity Securities	40	34	31	29	14
Forward Commodity Securities	14	14	11	5	-
Short Commodity Securities	34	34	33	-	-
Leveraged Commodity Securities	34	34	33	-	-
Total Commodity Securities	122	116	108	34	14

As at 31 December 2012, assets under management amounted to USD 4,317.9 million (2011: USD 4,419.0 million). The Company recognises its financial assets (Commodity Contracts) and financial liabilities (Commodity Securities) at fair value in the Statement of Financial Position.

During the year, the Company generated income from creation and redemption fees, management fees and licence allowance as follows:

	2012 USD	2011 USD
Creation and Redemption Fees	425,061	557,143
Management Fee and Licence Allowance	28,798,237	39,729,816
Total Fee Income	29,223,298	40,286,959

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the management fees and licence allowance and creation and redemptions fees, which, after taking into account other operating income and expenses, resulted in an operating result for the year of USD Nil (2011: USD Nil).

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

The Company's exposure to risk is discussed in note 11 to the financial statements.

#### Country and Currency Risk

The directors do not consider the Company to have a significant exposure to risk relating to country and currency risk arising from the current economic uncertainties facing a number of countries around the world.

Each Commodity Security comprises a debt instrument whose redemption price is linked directly to the price of the relevant underlying commodity. The Commodity Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the Commodity Contracts and not to the Company. In addition, since any such price movements are wholly attributable to the Commodity Security holders, the Company has no residual exposure to price movements of the Commodity Contracts. From a commercial perspective it is clear that gains or losses on the liability represented by the Commodity Securities are matched economically by losses or gains attributable to the Commodity Contracts. The Company has no net exposure.

Movements in the price of the underlying commodity, and thus the value of the Commodity Securities, may vary widely which could have an impact on the demand for the Commodity Securities issued by the Company. These movements are shown in notes 6 and 7.

**ETFS COMMODITY SECURITIES LIMITED**  
**DIRECTORS' REPORT - CONTINUED**

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**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 financial statements.

**Dividends**

There were no dividends declared or paid in the year (2011: USD 209,295). 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:

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

**Auditor**

A resolution to reappoint Deloitte LLP as the auditor of the Company will be proposed at the next meeting of the directors.

**Corporate Governance**

There is no standard code of corporate governance in Jersey. The operations, as previously described in the directors' report, are such that the directors do not consider the Company is required to voluntarily apply the UK Corporate Governance Code.

As the board is small there is no nomination committee and appointments of new directors are considered by the board as a whole. The board does not consider it appropriate that directors should be appointed for a specific term. Furthermore the structure of the board is such that it is considered unnecessary to identify a senior non-executive director.

The constitution of the board is disclosed above. With the exception of Mr Quigley and Mr Roxburgh, the directors are either members of the board of the Ultimate Parent Company, ETFSL, or members of the board of the Company's Administrator, R&H Fund Services (Jersey) Limited, and will continue to have such a composition of directors beyond the next meeting of the directors. Mr Quigley resigned as director of the Company on 20 December 2012.

The board of directors meets regularly to consider matters specifically reserved for its review. Further meetings will be held as required by the operations of the Company.

**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 year is disclosed below.

	<b>2012 Fees</b>	<b>2011 Fees</b>
	<b>GBP</b>	<b>GBP</b>
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	7,500	7,500
Mr Craig A Stewart	7,500	7,500
Mr Thomas K Quigley	Nil	Nil
Mr Joseph L Roxburgh	Nil	Nil

**Internal Control**

During the year the Company did not have any employees or subsidiaries, and there is no intention that this will change. The Company, being a special purpose company established for the purpose of issuing Commodity Securities, has not undertaken any business, save for issuing and redeeming Commodity Securities, entering into the documents and performing the obligations and exercising its rights in relation thereto, since its incorporation. The Company does not intend to undertake any business other than issuing and redeeming Commodity Securities and performing the obligations and exercising its rights in relation thereto.

The Company was dependent upon ManJer to provide management and administration services to it. During the year ended 31 December 2012, ManJer was classified as a Managed Entity under Jersey regulation and was reliant upon R&H Fund Services (Jersey) Limited ("R&H"), a regulated service provider in Jersey, for the provision of additional management services under the Manager of a Managed Entity ("MoME") regime. ManJer is licensed under the Financial Services (Jersey) Law 1998 to conduct classes U, V and Z of Fund Services Business. Whilst ManJer is no longer reliant upon R&H for the provision of additional management services, ManJer has outsourced the administration services to R&H.

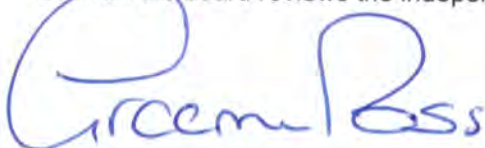
Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an ongoing basis by the board of the ultimate parent company, ETF Securities Limited, through their review of periodic reports and quarterly management accounts of the Company.

ManJer promotes and provides management and other services to both the Company and other companies issuing commodity based securities.

The board having reviewed the effectiveness of the internal control systems of the Manager and R&H, and having a regard to the role of its external auditor, does not consider that there is a need for the Company to establish its own internal audit function.

**Audit Committee**

The board has not established a separate audit committee; instead the board meets to consider the financial reporting by the Company, the internal controls, and relations with the external auditor. In addition the board reviews the independence and objectivity of the auditors.



**Graeme D Ross**  
Director  
Jersey

35 March 2013

**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.

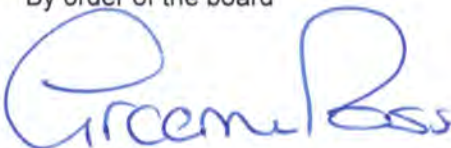
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board. The financial statements are required by law to 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.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



**Graeme D Ross**  
Director

 March 2013

# ETFS COMMODITY SECURITIES LIMITED

## INDEPENDENT AUDITOR'S REPORT

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We have audited the financial statements of ETFS Commodity Securities Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

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

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

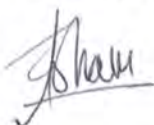
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



**Andrew Isham, BA, FCA**

For and on behalf of Deloitte LLP

Chartered Accountants and Recognized Auditor

St. Helier, Jersey

25 March 2013

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

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	Note	Year ended 31 December	
		2012 USD	2011 USD
<b>Revenue</b>	2	29,223,298	40,286,959
<b>Expenses</b>	2	(29,223,298)	(40,286,959)
<b>Operating Result</b>	2	<u>-</u>	<u>-</u>
Net Loss Arising on Fair Value of Commodity Contracts	6	(184,922,303)	(1,211,158,051)
Net Gain Arising on Fair Value of Commodity Securities	7	184,922,303	1,211,158,051
<b>Result and Total Comprehensive Income for the Year</b>		<u>-</u>	<u>-</u>

The directors consider the Company's activities as continuing.

The notes on pages 12 to 20 form part of these financial statements

**ETFS COMMODITY SECURITIES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 December	
		2012	2011
		USD	USD
<b>Current Assets</b>			
Cash and Cash Equivalents		-	4,035
Trade and Other Receivables	5	2,531,217	2,752,367
Commodity Contracts	6	4,317,870,439	4,418,950,726
Commodity Contracts Awaiting Settlement	6	11,505,948	4,661,630
Commodity Securities Awaiting Settlement	7	28,513,755	25,381,652
<b>Total Assets</b>		<u>4,360,421,359</u>	<u>4,451,750,410</u>
<b>Current Liabilities</b>			
Commodity Securities	7	4,317,870,439	4,418,950,726
Commodity Securities Awaiting Settlement	7	11,505,948	4,661,630
Commodity Contracts Awaiting Settlement	6	28,513,755	25,381,652
Trade and Other Payables	8	2,531,215	2,756,400
<b>Total Liabilities</b>		<u>4,360,421,357</u>	<u>4,451,750,408</u>
<b>Equity</b>			
Stated Capital	9	2	2
<b>Total Equity</b>		<u>2</u>	<u>2</u>
<b>Total Equity and Liabilities</b>		<u>4,360,421,359</u>	<u>4,451,750,410</u>

The financial statements on pages 8 to 20 were approved by the board of directors and signed on its behalf on 23 March 2013.



Graeme D Ross  
 Director

The notes on pages 12 to 20 form part of these financial statements



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

	<b>Year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>USD</b>	<b>USD</b>
<b>Operating Result for the Year</b>	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Decrease in Receivables	221,150	745,179
Decrease in Payables	(225,185)	(549,490)
Cash (Used in)/Generated from Operations	<u>(4,035)</u>	<u>195,689</u>
<i>Cash Flows from Financing Activities</i>		
Dividends Paid	-	(209,295)
Net Cash Used in Financing Activities	<u>-</u>	<u>(209,295)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(4,035)</u>	<u>(13,606)</u>
Cash and Cash Equivalents at the Beginning of the Year	4,035	17,641
Net Decrease in Cash and Cash Equivalents	(4,035)	(13,606)
Cash and Cash Equivalents at the End of the Year	<u>-</u>	<u>4,035</u>

Commodity Securities issued or redeemed by receipt/transfer of Commodity Contracts have been netted off in the Statement of Cash Flows.

The notes on pages 12 to 20 form part of these financial statements

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

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	<b>Stated Capital USD</b>	<b>Retained Earnings USD</b>	<b>Total Equity USD</b>
Opening Balance at 1 January 2011	2	209,295	209,297
Total Comprehensive Income for the Year	-	-	-
Dividends (USD 104,647.50 per share)	-	(209,295)	(209,295)
Balance at 31 December 2011	<u>2</u>	<u>-</u>	<u>2</u>
Opening Balance at 1 January 2012	2	-	2
Total Comprehensive Income for the Year	-	-	-
Balance at 31 December 2012	<u>2</u>	<u>-</u>	<u>2</u>

The notes on pages 12 to 20 form part of these financial statements

## **1. Accounting Policies**

The main accounting policies of the Company are described below.

### **Basis of Preparation**

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

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these financial statements is in respect of the valuation of Commodity Contracts and Commodity Securities held at fair value through profit or loss as disclosed in notes 6 and 7. Actual results could vary from these estimates.

### **Accounting Standards**

*(a) Standards, amendments and interpretations effective on 1 January 2012:*

No new and revised standards and interpretations have been adopted in the current year which may have affected these financial statements. Details of other standards and interpretations adopted that have had no effect on these financial statements are set out in section (b).

*(b) Standards, amendments and interpretations effective on 1 January 2012 but not relevant to the Company:*

- Amendments to IFRS 7 "Disclosures – Transfers of Financial Assets"
- Amendments to IAS 12 "Income Taxes"

*(c) Standards, amendments and interpretations that are in issue but not yet effective:*

- IFRS 9 "Financial Instruments" (effective 1 January 2015)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2013)
- Amendments to IAS 1 "Presentation of Financial Statements" (effective 1 July 2012)
- Amendments to IAS 32 "Financial Instruments: Presentation" (effective 1 January 2014)
- Various improvements to IFRSs issued in 2011 (effective 1 January 2013)

The directors anticipate that the adoption of these standards in future periods will have no material financial impact; however the amendments may change the presentation of the financial statements. The directors have considered other new and revised standards and they believe that they are not relevant to the Company's activities.

**1. Accounting Policies - continued****Going Concern**

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

**Commodity Securities and Commodity Contracts****i) Issuance and Redemption**

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

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

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

**ii) Pricing**

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

**iii) Designation at fair value through Profit or Loss**

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

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

**Commodity Contracts and Securities Awaiting Settlement**

The issue or redemption of Commodity Securities, and the purchase or sale of Commodity Contracts, is accounted for on the trade date ("T"). Where settlement pricing is applied, the trade will not settle until T+3. Where trades are awaiting settlement at the year end, the monetary amount due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position.

**Revenue Recognition**

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

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

**1. Accounting Policies - continued****Loans and Receivables**

The loans and receivables are non-derivative financial assets with a fixed payment amount and are not quoted in an active market. After initial measurement the loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Gains and losses on loans and receivables which are impaired are recognised immediately in the Statement of Comprehensive Income.

**Interest Income**

Interest income is recognised on an accruals basis.

**Cash and Cash Equivalents**

Cash and cash equivalents included deposits held on call with banks.

**Foreign Currency Translation**

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in United States Dollars, which is the functional currency of the Company, and the presentational currency of the financial statements.

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

**Segmental Reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company reports information on its operations for each of the Company's business segments only, as the Company only has one geographic segment which is the UK and Europe. The directors believe that each type of Commodity Security – Classic, Forward, Short and Leveraged – comprises a segment and results of each are disclosed separately in note 3.

## 2. Operating Result

Operating result for the year comprised:

	Year ended 31 December	
	2012 USD	2011 USD
Creation and Redemption Fees	425,061	557,143
Management Fees	26,176,057	36,054,808
Licence Allowance	2,622,180	3,675,008
<b>Total Revenue</b>	<b>29,223,298</b>	<b>40,286,959</b>
Management Fees to ManJer	(28,992,247)	(40,290,992)
Creation and Redemption Fees Written Off	(231,054)	-
Net Finance Income	1	550
Net Foreign Exchange Gain	2	3,483
<b>Total Operating Expenses</b>	<b>(29,223,298)</b>	<b>(40,286,959)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

Audit fees for the year of GBP 24,000 will be met by ManJer (2011: GBP 20,100).

During the year the Company revised its agreements with a number of the Authorised Participants regarding the fees charge for the creation and redemption of securities. As a result of the revised agreements, certain future creation and redemption fees were waived. The revised agreement backdated the charge, which meant that some of the historically charged creation and redemption fees were waived and written off.

## 3. Segmental Reporting

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

For the year ended 31 December 2011:

	Classic	Forward	Short	Leveraged	Central	Total
Creation and Redemption Fees	307,260	33,475	78,125	138,283	-	557,143
Management Fees	23,396,437	1,246,896	3,607,548	7,803,927	-	36,054,808
Licence Allowance	2,384,761	127,094	367,711	795,442	-	3,675,008
<b>Total Revenue</b>	<b>26,088,458</b>	<b>1,407,465</b>	<b>4,053,384</b>	<b>8,737,652</b>	<b>-</b>	<b>40,286,959</b>
Total Operating Expenses	(26,091,070)	(1,407,605)	(4,053,790)	(8,738,527)	4,033	(40,286,959)
<b>Segmental (Loss)/Profit</b>	<b>(2,612)</b>	<b>(140)</b>	<b>(406)</b>	<b>(875)</b>	<b>4,033</b>	<b>-</b>

**ETFS COMMODITY SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. Segmental Reporting - continued**

For the year ended 31 December 2012:

	Classic	Forward	Short	Leveraged	Central	Total
Creation and Redemption Fees	218,946	28,388	61,364	116,363	-	425,061
Management Fees	15,536,566	976,549	3,906,481	5,756,461	-	26,176,057
Licence Allowance	1,583,693	99,658	382,732	556,097	-	2,622,180
Total Revenue	<u>17,339,205</u>	<u>1,104,595</u>	<u>4,350,577</u>	<u>6,428,921</u>	<u>-</u>	<u>29,223,298</u>
Total Operating Expenses	(17,339,207)	(1,104,595)	(4,350,577)	(6,428,922)	3	(29,223,298)
<b>Segmental (Loss)/Profit</b>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>3</u>	<u>-</u>

Additional information relating to the assets and liabilities associated with these securities is disclosed in notes 6 and 7.

**4. Taxation**

The Company is subject to Jersey Income Tax at the rate of 0%.

**5. Trade and Other Receivables**

	As at 31 December	
	2012 USD	2011 USD
Management Fee and Licence Allowance	2,435,825	2,503,525
Creation and Redemption Fees	95,392	248,842
	<u>2,531,217</u>	<u>2,752,367</u>

**6. Commodity Contracts**

	Change in Fair Value at 31 December 2011 USD	Fair Value at 31 December 2011 USD
Classic Commodity Contracts	(827,091,539)	3,260,447,177
Forward Commodity Contracts	(36,471,404)	198,573,502
Short Commodity Contracts	60,690,677	380,797,943
Leveraged Commodity Contracts	(408,285,785)	579,132,104
Total Commodity Contracts	<u>(1,211,158,051)</u>	<u>4,418,950,726</u>

6. Commodity Contracts - continued

	Change in Fair Value at 31 December 2012 USD	Fair Value at 31 December 2012 USD
Classic Commodity Contracts	(73,643,569)	3,130,766,039
Forward Commodity Contracts	(5,751,079)	173,790,349
Short Commodity Contracts	(8,667,952)	316,580,319
Leveraged Commodity Contracts	(96,859,703)	696,733,732
Total Commodity Contracts	<u>(184,922,303)</u>	<u>4,317,870,439</u>

As at 31 December 2012, there were certain Commodity Contracts awaiting the creation or (redemption) of Securities with trade dates before the year end and settlement dates in the following year. The amount receivable as a result of unsettled creations at year end was USD 11,505,948 (2011: USD 4,661,630) and the amount (payable) as a result of unsettled redemptions at year end was (USD 28,513,755) (2011: USD (25,381,652)).

7. Commodity Securities

	Change in Fair Value at 31 December 2011 USD	Fair Value at 31 December 2011 USD
Classic Commodity Securities	827,091,539	3,260,447,177
Forward Commodity Securities	36,471,404	198,573,502
Short Commodity Securities	(60,690,677)	380,797,943
Leveraged Commodity Securities	408,285,785	579,132,104
Total Commodity Securities	<u>1,211,158,051</u>	<u>4,418,950,726</u>

	Change in Fair Value at 31 December 2012 USD	Fair Value at 31 December 2012 USD
Classic Commodity Securities	73,643,569	3,130,766,039
Forward Commodity Securities	5,751,079	173,790,349
Short Commodity Securities	8,667,952	316,580,319
Leveraged Commodity Securities	96,859,703	696,733,732
Total Commodity Securities	<u>184,922,303</u>	<u>4,317,870,439</u>

As at 31 December 2012, there were certain Commodity Securities awaiting the (creation) or redemption with trade dates before the year end and settlement dates in the following year. The amount (receivable) as a result of unsettled redemptions of Securities at year end was (USD 28,513,755) (2011: (USD 25,381,652)), and the amount payable as a result of unsettled creations of Securities at year end was USD 11,505,948 (2011: USD 4,661,630).

8. Trade and Other Payables

	As at 31 December	
	2012 USD	2011 USD
Management Fees Payable to ManJer	<u>2,531,215</u>	<u>2,756,400</u>



**ETFS COMMODITY SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**9. Stated Capital**

	As at 31 December	
	2012	2011
	USD	USD
2 Shares of Nil Par Value, Issued at GBP 1 Each	2	2

The Company can issue 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").

**10. Related Party Disclosures**

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

*Management Fees paid to ManJer during the year:*

	Year ended 31 December	
	2012	2011
	USD	USD
Management Fees	28,992,247	40,290,992

*The following balances were due to ManJer at year end:*

	As at 31 December	
	2012	2011
	USD	USD
Management Fees Payable	2,531,215	2,756,400

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 15,000 (2011: GBP 15,000).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the year, R&H charged ManJer secretarial and administration fees in respect of the Company of GBP 271,528 (2011: GBP 356,921), of which GBP 67,882 (2011: GBP 89,230) was outstanding at the year end.

Graeme D Ross is also a director of ManJer. Craig A Stewart was a director of ManJer until 14 June 2012.

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

**11. Financial Risk Management**

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

(a) *Market Risk*

i) *Price Risk*

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

**11. Financial Risk Management - continued**

(a) *Market Risk - continued*

i) *Price Risk - continued*

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

ii) *Interest Rate Risk*

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

The Company held a current account at a large international bank. The rate of interest received on the account was at the bank's variable rate. Due to the current account being closed during the year, the directors do not believe that the Company will be affected by any move in interest rates.

(b) *Credit Risk*

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

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

(c) *Liquidity Risk*

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

(d) *Sensitivity Analysis*

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

As disclosed in the Directors' Report, the Company's liability in connection with the issue of Commodity Securities is matched by movements in corresponding Commodity Contracts. Consequently, the Company is not exposed to market price risk. Therefore, in the directors' opinion, no sensitivity analysis is required to be disclosed.

(e) *Capital Management*

The Company's principal activity is the listing and issue of Commodity Securities. These securities are issued as demand requires. The Company holds a corresponding amount of Commodity Contracts which exactly matches the total securities issued. ManJer supplied and arranged for the supply of all administrative services to the Company and paid all management and administration costs of the Company, in return for which the Company paid ManJer a fee equal to the management fee, licence allowance and creation and redemption fees charged to the Commodity Securities. The Company is not subject to any capital requirements imposed by a regulator and there were no changes in the Company's approach to capital management during the year.

**11. Financial Risk Management - continued**

(e) *Capital Management - continued*

As all Commodity Securities on issue are supported by an equivalent amount of Commodity Contracts held by UBS and Merrill Lynch and the running costs of the Company were paid by ManJer, the directors of the Company consider the capital management and its current capital resources are adequate to maintain the ongoing listing and issue of Commodity Securities.

(f) *Settlement Risk*

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

Amounts outstanding in respect of positions yet to settle are disclosed in notes 6 and 7.

(g) *Fair Value Hierarchy*

The levels in the hierarchy are defined as follows:

- Level 1 – fair value based on quoted prices in active markets for identical assets.
- Level 2 – fair values based on valuation techniques using observable inputs other than quoted prices within level 1.
- Level 3 – fair values based on valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

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 assets and liabilities are calculated using third party pricing sources supported by observable, verifiable inputs.

	<b>Fair Value</b>	
	<b>2012</b>	<b>2011</b>
<b>Level 2</b>	<b>USD</b>	<b>USD</b>
Commodity Contracts	4,317,870,439	4,418,950,726
Commodity Securities	4,317,870,439	4,418,950,726

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

**12. Ultimate Controlling Party**

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.