

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED

Registered No: 108736

**Unaudited Interim Financial Report for the
Six Months to 30 June 2014**

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED

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ETFS COMMODITY SECURITIES AUSTRALIA LIMITED

DIRECTORS' REPORT

The directors of ETFS Commodity Securities Australia Limited ("CSAL" or the "Company") submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2014.

Directors

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

Mr Graham J Tuckwell - Chairman

Mr Graeme D Ross

Mr Joseph L Roxburgh

Mr Craig A Stewart (resigned 21 June 2013)

Directors' Interests

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

<u>Director</u>	<u>Ordinary Shares of Nil Par Value</u>
Graham J Tuckwell (as controlling party of ETF Securities Limited ("ETFSL"))	10

Principal Activities

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

Review of Operations

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

<u>Security</u>	<u>Australian Stock Exchange</u>
Classic Commodity Securities	10

As at 30 June 2014, assets under management amounted to AUD 2.63 million (31 December 2013: AUD 2.48 million). The Company recognises its financial assets ("Reference Assets") and financial liabilities ("CSAL Commodity Securities") at fair value in the Statement of Financial Position.

During the period, the Company generated no income from application fees or repurchase fees therefore paid no processing fee to ETFS Management Company (Jersey) Limited ("ManJer").

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the processing fee, which, after taking into account other operating income and expenses, resulted in an operating result for the period of AUD Nil (31 December 2013: AUD Nil).

The gain or loss on CSAL Commodity Securities and Reference Assets is recognised in the Statement of Profit or Loss and Other Comprehensive Income in line with the Company's accounting policy.

IFRS 13 requires the Company to utilise the available market price for the Reference Assets and the CSAL Commodity Securities as quoted on the open market.

The Company's rights in respect of Reference Assets and obligations in respect of the CSAL Commodity Securities 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 published in the prospectus, and are equal to the published net asset value ("NAV") of each CSAL Commodity Security.

Review of Operations (continued)

As a result of the difference in valuation methodology for Reference Assets and that of CSAL Commodity Securities as required by the prospectus and the valuation methodology as required under IFRS 13 there is a mis-match between accounting values of the Reference Assets and those of the CSAL Commodity Securities. The results of the Company will therefore reflect a gain or loss representing the difference between:

1. the agreed formula price of the Reference Assets and the market price of the Reference Assets; and
2. the agreed formula price of the CSAL Commodity Securities and the market price of the CSAL Commodity Securities.

This gain or loss would be reversed on a subsequent redemption of the CSAL Commodity Securities and cancellation of the equivalent Reference Assets.

Future Developments

The directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or the attached interim financial statements.

Dividends

There were no dividends declared or paid in the current or previous period. It is the Company's policy that dividends will only be declared when the directors are of the opinion that there are sufficient distributable reserves.

Employees

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

Directors' Remuneration

No director has a service contract with the Company and details of the directors' remuneration which has been paid by ManJer on behalf of the Company for the period is disclosed below. Mr Craig A Stewart resigned on 21 June 2013, but received his fee to 30 June 2013.

	30 June 2014	30 June 2013
	GBP	GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	3,750
Mr Craig A Stewart	Nil	3,750
Mr Joseph L Roxburgh	Nil	Nil

On behalf of the directors



Graeme D Ross
Director
Jersey
27 August 2014

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare interim financial statements for each financial period. Under that law the directors have elected to prepare the interim financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board. The financial statements are required by law to 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 period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the 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

27 August 2014

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Period ended	
		30 June 2014 Unaudited AUD	30 June 2013 Unaudited AUD
Revenue		-	-
Expenses		-	-
Operating Result		-	-
Net Loss Arising Fair Value of Reference Assets	4	(58,967)	(93,056)
Net Gain Arising on Fair Value of CSAL Commodity Securities	5	77,363	93,056
Result and Total Comprehensive Income for the Period		18,396	-
¹ Net Adjustment from Contractual Formula Price (as set out in the prospectus) to the Market Value of both the Reference Assets and the CSAL Commodity Securities	1	(18,396)	-
Adjusted Result and Total Comprehensive Income for the Period		-	-

The directors consider the Company's activities as continuing.

¹ The definition of non-statutory adjustments is set out on page 8. This represents the movement in the net difference between the agreed formula price of the Reference Assets and the market price of the Reference Assets, and the agreed formula price of the CSAL Commodity Securities and the market price of the CSAL Commodity Securities.

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

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED
STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2014 Unaudited AUD	30 December 2013 Audited AUD
	Note		
Current Assets			
Other Receivables	3	3	3
Reference Assets	4	2,680,657	2,482,738
Total Assets		<u>2,680,660</u>	<u>2,482,741</u>
Current Liabilities			
CSAL Commodity Securities	5	2,681,891	2,502,368
Total Liabilities		<u>2,681,891</u>	<u>2,502,368</u>
Equity			
Stated Capital	6	3	3
Revaluation Reserve	5	(1,234)	(19,630)
Total Equity		<u>(1,231)</u>	<u>(19,627)</u>
Total Equity and Liabilities		<u>2,680,660</u>	<u>2,482,741</u>

The financial statements on pages 4 to 13 were approved by the board of directors and signed on its behalf on 27 August 2014.



Graeme D Ross
Director

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED
STATEMENT OF CASH FLOWS

	Period ended	
	30 June 2014	30 June 2013
	Unaudited	Unaudited
	AUD	AUD
Operating Result for the Period	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Increase in Receivables		-
Decrease in Payables	-	-
Cash Generated from/(Used in) Operations	-	-
<i>Cash Flows from Financing Activities</i>		
Proceeds from issue of shares	-	-
Cash Generated from Financing Activities	-	-
Net Movement in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Movement in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Period	-	-

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

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED
STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital AUD	Retained Earnings AUD	Revaluation Reserve ² AUD	Total Equity AUD	Adjusted Total Equity USD
Audited Opening Balance at 1 January 2013		3	-	-	3	3
Total Comprehensive Income for the Period		-	-	-	-	-
Unaudited Balance at 30 June 2013		3	-	-	3	3
Audited Opening Balance at 1 January 2014		3	-	(19,630)	(19,627)	3
Result and Total Comprehensive Income for the Period		-	18,396	-	18,396	18,396
Transfer to Revaluation Reserve	5	-	(18,396)	18,396	-	-
³ Net Adjustment from Contractual Formula Price (as set out in the prospectus) to the Market Value of both the Reference Assets and the CSAL Commodity Securities	5	-	-	-	-	(18,396)
Unaudited Balance at 30 June 2014		3	-	(1,234)	(1,231)	3

² This represents the net difference between the agreed formula price of the Reference Assets and the market price of the Reference Assets, and the agreed formula price of the CSAL Commodity Securities and the market price of the CSAL Commodity Securities.

³ The definition of non-statutory adjustments is set out on page 8.

The notes on pages 8 to 13 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 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The interim 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 and should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2013. 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 2013.

The presentation of interim 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 period. 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 Reference Assets and CSAL Commodity Securities held at fair value through the profit or loss as disclosed in notes 4 and 5. Actual results could vary from these estimates.

This half yearly report has not been audited or reviewed by the Company's auditors.

Accounting Standards

(a) *Standards, amendments and interpretations effective on 1 January 2014 but not relevant to the Company:*

- Amendments to IFRS 10 Consolidated Financial Statements - Investment Entities
- Amendments to IFRS 12 Disclosure of Interests in Other Entities - Investment Entities
- Amendments to IAS 27 Separate Financial Statements - Investment Entities
- Amendments to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies

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

- IFRS 9 Financial Instruments (as amended in 2009)
- IFRS 9 Financial Instruments (as amended in 2010)
- IFRS 9 Financial Instruments (as amended in 2013) (hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
- Amendments to IFRS 11 Joint Arrangements - accounting for acquisitions of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 16 Property, Plant and Equipment - clarification of acceptable methods of depreciation and amortisation and bringing bearer plants within scope (effective for annual periods beginning on or after 1 January 2016)

1. Accounting Policies (continued)

Accounting Standards (continued)

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

- IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Amendments to IAS 38 Intangible Assets - clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 41 Agriculture - bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRS (effective for annual periods beginning on or after 1 July 2014)

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 concluded that they would not have a material impact on the future financial periods when they become available.

Going Concern

The nature of the Company's business dictates that the outstanding CSAL 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 CSAL Commodity Securities will coincide with the redemption of an equal amount of Reference Assets, 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 and have prepared the financial statements on this basis.

CSAL Commodity Securities and Reference Assets

i) Issuance and Redemption

Each time a CSAL Commodity Security is issued or redeemed by the Company a matching number and value of Reference Assets are purchased or redeemed. The Reference Assets represent financial assets of the Company and the CSAL Commodity Securities give rise to financial liabilities.

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

When Reference Assets are redeemed they are redeemed from the earliest Reference Asset issued and then the next earliest Reference Asset until the redemption has been satisfied. This method is known as first in first out ("FIFO").

ii) Pricing

The pricing of the Reference Assets and the CSAL Commodity Securities using the market price under IFRS 13 requires the Company to utilise the available market price as the Reference Assets and the CSAL Commodity Securities are quoted on the open market. Consequently gains or losses arise as a result of the difference between:

- the market value of the Reference Assets and the agreed formula price of the Reference Assets; and
- the market value of the CSAL Commodity Securities and the agreed formula price of the CSAL Commodity Securities.

These gains or losses:

- are included in the statement of profit or loss and total comprehensive income in order to fair value the asset and the liability;
- represent differences between the actual settlement value of the Reference Assets and the CSAL Commodity Securities and the fair value; and
- As a result are presented as a non-statutory movement entitled 'Net Adjustment from Contractual Formula Price (as set out in the prospectus) to the Market Value of both Reference Assets and CSAL Commodity Securities'.

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

CSAL Commodity Securities and Reference Assets (continued)

iii) Designation at fair value through Profit or Loss

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

Segmental Reporting

The Company has not provided segmental information as the Company has only one business or product group, CSAL Classic Commodity Securities, and one geographical segment which is Australia. All information relevant to the understanding of the Company's activities is included in these interim financial statements.

2. Taxation

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

3. Other Receivables

	As at	
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
Amounts Receivable on Stated Capital	<u>3</u>	<u>3</u>

4. Reference Assets

Whilst the Reference Assets are quoted on the open market, the Company's rights 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 CSAL Commodity Security. Therefore, the contractual issue and redemption of CSAL Commodity Securities occur at a price that match gains or losses on Reference Assets. As a result the Company has no net exposure to gains or losses on the CSAL Commodity Securities and Reference Assets.

Through the adoption of IFRS 13 the Company needs to measure the Reference Assets at their transferable value rather than their settlement value. The transferable value is deemed to be the prices quoted on stock exchanges or other markets where the Reference Assets are listed or traded.

The fair values and changes thereof during the period/year based on prices available on the open market as recognised in the financial statements are:

	As at	
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
Change in Fair Value for the Period/Year	<u>(58,967)</u>	<u>182,169</u>
Reference Assets at Market Fair Value	<u>2,680,657</u>	<u>2,482,738</u>

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Reference Assets (continued)

The contractual redemption values and changes thereof during the period/year based on the contractual settlement values are:

	As at	
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
Change in Contractual Redemption Value for the Period/Year	(102,566)	172,193
Reference at Contractual Redemption Value	2,627,082	2,472,762

As at 30 June 2014, there were no Reference Assets awaiting the creation or (redemption) of CSAL Commodity Securities with trade dates before the period end and settlement dates in the following period (31 December 2013: USD Nil).

5. CSAL Commodity Securities

Whilst the CSAL Commodity Securities are quoted on the open market, the Company's liability relates to its contractual obligations to trade with certain counterparties at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAV's of each class of CSAL Commodity Security. Therefore, the contractual issue and redemption of CSAL Commodity Securities occur at a price that match gains or losses on Reference Assets. As a result the Company has no net exposure to gains or losses on the CSAL Commodity Securities and Reference Assets.

Through the adoption of IFRS 13 the Company needs to measure the CSAL Commodity Securities at their transferable value rather than their settlement value. The transferable value is deemed to be the prices quoted on stock exchanges or other markets where the CSAL Commodity Securities are listed or traded.

The fair values and changes thereof during the period/year based on prices available on the open market as recognised in the financial statements are:

	As at	
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
Change in Fair Value for the Period/Year	77,363	(201,799)
CSAL Commodity Securities at Market Fair Value	2,681,891	2,502,368

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. CSAL Commodity Securities (continued)

The contractual redemption values and changes thereof during the period/year based on the contractual settlement values are:

	As at	
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
Change in Contractual Redemption Value for the Period/Year	102,566	(172,193)
CSAL Commodity Securities at Contractual Redemption Value	2,627,082	2,472,762

The mismatched values are as shown below and together represent the non-statutory adjustment presented on the statement of profit or loss and other comprehensive income:

	Period Ended	Year Ended
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
Net (Loss)/Gain Arising on Contractual Value of Reference Assets	(102,566)	172,193
Net (Loss)/Gain Arising on Fair Value of Reference Assets	(58,967)	182,169
	43,599	9,976
Net Gain(Loss) Arising on Contractual Redemption Value of CSAL Commodity Securities	102,566	(172,193)
Net Gain/(Loss) Arising on Fair Value of CSAL Commodity Securities	77,363	(201,799)
	(25,203)	(29,606)
Net Adjustment from Contractual Formula Price (as set out in the prospectus) to the Market Value of both the Reference Assets and the CSAL Commodity Securities	18,396	(19,630)

As at 30 June 2014, there were no CSAL Commodity Securities awaiting the (creation) or redemption of securities with trade dates before the period end and settlement dates in the following period (31 December 2013: AUD Nil).

ETFS COMMODITY SECURITIES AUSTRALIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Stated Capital

	As at	
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
2 Shares of Nil Par Value, Issued at GBP 1 Each	<u>3</u>	<u>3</u>

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").

7. 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.

The following balances were due from HoldCo at the period/year end:

	As at	
	30 June 2014	31 December 2013
	Unaudited	Audited
	AUD	AUD
Stated Capital	<u>3</u>	<u>3</u>

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 3,750 (30 June 2013: GBP 7,500).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer secretarial and administration fees in respect of the Company of GBP 14,500 (30 June 2013: GBP 20,000 of which GBP 7,250 (30 June 2013: GBP 10,000) was outstanding at the period end.

Craig A Stewart was appointed as director of ManJer on 18 July 2013.

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

All Reference Assets are securities issued by ETFS Commodity Securities Limited, an entity controlled by the same parties as the Company.

8. 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.