ETFS OIL SECURITIES LIMITED

Registered No: 88371

Report and Financial Statements for the Year ended 31 December 2012

ETFS OIL SECURITIES LIMITED

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MANAGEMENT AND ADMINISTRATION

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

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The directors of ETFS Oil Securities Limited ("OSL" 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 energy securities ("Energy Securities"). The Company earns management fees based upon the number of Energy 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 and paid monthly in arrears.

Energy Securities are financial instruments designed to track the price of commodities, principally oil, 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, Energy 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 other costs in holding Energy Securities).

Energy Securities are backed by energy contracts ("Energy Contracts") with terms corresponding to the terms of Energy Securities. Each time Energy Securities are issued or redeemed, matching Energy Contracts between the Company and the Energy Contract Counterparty are created or cancelled by the Company. The Company has entered into an Oil Purchase Agreement with Shell, its Energy Contract Counterparty, enabling the Company to create and cancel Energy Contracts on an ongoing basis. No trading or management of futures contracts is required of the Company.

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.

Review of Operations

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

Security	London Stock Exchange	Borsa Italia	Deutsche Börse	NYSE-Euronext Paris	Bolsa Mexicana de Valores
Brent Energy Securities	5	1	1	1	1
WTI Energy Securities	5	1	1	1	-
Carbon Energy Securities	2	-	-	-	-
Total Energy Securities	12	2	2	2	1

Review of Operations – continued

As at 31 December 2012, assets under management amounted to USD 399.7 million (2011: USD 385.2 million). The Company recognises its financial assets (Energy Contracts) and financial liabilities (Energy Securities) at fair value in the Statement of Financial Position.

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

	2012 USD	2011 USD
Creation and Redemption Fees	39,624	58,697
Management Fees	2,033,340	2,437,803
Total Fee Income	2,072,964	2,496,500

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the management fees and creation and redemption 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 Energy Securities and Energy 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 10 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 Energy Security comprises a debt instrument whose redemption price is linked directly to the price of the relevant underlying contract. The Energy Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the Energy Contracts and not to the Company. In addition, since any such price movements are wholly attributable to the Energy Security holders, the Company has no residual exposure to price movements of the Energy Contracts. From a commercial perspective it is clear that gains or losses on the liability represented by the Energy Securities are matched economically by losses or gains attributable to the Energy Contracts. The Company has no net exposure.

Movements in the price of the underlying contract, and thus the value of the Energy Securities, may vary widely which could have an impact on the demand for the Energy Securities issued by the Company. These movements are shown in notes 5 and 6.

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 48,508). 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:

Director	Ordinary Shares of Nil Par Value
Graham J Tuckwell (as controlling party of ETF Securities Limited ("ETFSL"))	1,000

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.

	2012 Fees GBP	2011 Fees GBP
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 Energy Securities, has not undertaken any business, save for issuing and redeeming Energy 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 Energy Securities and performing the obligations and exercising its rights in relation thereto.

Internal Control - continued

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 auditors, 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 auditors. In addition the board reviews the independence and objectivity of the auditors.

Graeme Ross

Graeme D Ross
Director
Jersey
25 March 2013

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 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 Ross

Graeme D Ross
Director

25 March 2013

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of ETFS Oil 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 11. 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

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2012 USD	2011 USD
Revenue	2	2,072,964	2,496,500
Expenses	2	(2,072,964)	(2,496,500)
Operating Result	2	-	-
Net Gain Arising on Fair Value of Energy Contracts	5	15,838,226	58,191,131
Net Loss Arising on Fair Value of Energy Securities	6	(15,838,226)	(58,191,131)
Result and Total Comprehensive Income for the Year		-	-

The directors consider the Company's activities as continuing.

The notes on pages 12 to 19 form part of these financial statements

ETFS OIL SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2012 USD	As at 31 December 2011 USD
Current Assets			
Cash and Cash Equivalents		-	4,006
Trade and Other Receivables	4	167,803	169,578
Energy Contracts	5	399,738,001	385,168,001
Total Assets		399,905,804	385,341,585
Current Liabilities			
Energy Securities	6	399,738,001	385,168,001
Trade and Other Payables	7	164,061	169,842
Total Liabilities		399,902,062	385,337,843
Equity			
Stated Capital	8	1,742	1,742
Retained Profits		2,000	2,000
Total Equity		3,742	3,742
Total Equity and Liabilities		399,905,804	385,341,585

The financial statements on pages 8 to 19 were approved by the board of directors and signed on its behalf on 28 March 2013.

Graeme D Ross
Director

The notes on pages 12 to 19 form part of these financial statements

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2012 USD	2011 USD
Operating Result for the Year	-	-
Changes in Operating Assets and Liabilities		
Decrease in Receivables	1,775	48,423
Decrease in Payables	(5,781)	(28,147)
Cash (Used in)/Generated from Operations	(4,006)	20,276
Cash Flows from Financing Activities		
Dividends Paid	-	(48,508)
Net Cash Used in Financing Activities	-	(48,508)
Net Decrease in Cash and Cash Equivalents	(4,006)	(28,232)
Cash and Cash Equivalents at the Beginning of the Year	4,006	32,238
Net Decrease in Cash and Cash Equivalents	(4,006)	(28,232)
Cash and Cash Equivalents at the End of the Year	-	4,006

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

The notes on pages 12 to 19 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Stated Capital USD	Retained Earnings USD	Total Equity USD
Opening Balance at 1 January 2011	1,742	50,508	52,250
Total Comprehensive Income for the Year	-	-	-
Dividends (USD 48.51 per share)	-	(48,508)	(48,508)
Balance at 31 December 2011	1,742	2,000	3,742
Opening Balance at 1 January 2012	1,742	2,000	3,742
Total Comprehensive Income for the Year	-	-	-
Balance at 31 December 2012	1,742	2,000	3,742

The notes on pages 12 to 19 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 key accounting judgement required to prepare these financial statements is in respect of the valuation of Energy Contracts and Energy Securities held at fair value through profit or loss as disclosed in notes 5 and 6. 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 Energy Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Energy Securities will coincide with the redemption of an equal amount of Energy 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.

Energy Securities and Energy Contracts

i) Issuance and Redemption

The Company has entered into Oil Purchase Agreements with Shell Trading Switzerland A.G. ("Shell") to permit the Company to purchase and redeem Energy Contracts at prices equivalent to Energy Securities issued or redeemed on the same day. Each time an Energy Security is issued or redeemed by the Company a matching number and value of Energy Contracts are purchased or redeemed from Shell. The Energy Contracts represent financial assets of the Company and the Energy Securities give rise to financial liabilities.

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

When Energy Contracts are redeemed from Shell they are redeemed from the earliest Energy 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 Energy Contracts and Securities are priced at the end of each pricing day for each of the respective classes of security, using appropriate values of forward contracts to which they relate. Each class of Energy Security and Energy Contract has different characteristics as it looks at different forward periods.

iii) Designation at Fair Value through Profit or Loss

Each Energy Security or Energy Contract comprises a financial instrument whose redemption price is linked directly to the price of the underlying oil future on a one-to-one basis.

These instruments are designated as 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 Energy Security and Energy Contract to be recorded in the Statement of Comprehensive Income.

Energy Contracts and Securities Awaiting Settlement

The issue and redemption of Energy Securities, and the purchase and sale of Energy 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 at 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

The Company has not provided segmental information as the Company has only one business or product group, oil securities, and one geographical segment which is UK and Europe. All information relevant to the understanding of the Company's activities is included in these financial statements.

2. Operating Result

Operating result for the year comprised:

	Year ended 31 December	
	2012	2011
	USD	USD
Creation and Redemption Fees	39,624	58,697
Management Fees	2,033,340	2,437,803
Total Revenue	2,072,964	2,496,500
Management Fees to ManJer	(2,046,217)	(2,496,594)
Creation and Redemption Fees Written Off	(26,719)	-
Net Finance Charges	(52)	(47)
Net Foreign Exchange Gain	24	141
Total Operating Expenses	(2,072,964)	(2,496,500)
Operating Result	-	-

Audit fees for the year of GBP 18,500 will be met by ManJer (2011: GBP 18,000).

During the year the Company revised its agreements with a number of the Authorised Participants regarding the fee charged 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. Taxation

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

4. Trade and Other Receivables

	As at 31 December	
	2012	2011
	USD	USD
Creation and Redemption Fees	16,168	13,911
Management Fee	151,635	155,667
	167,803	169,578

5. Energy Contracts

	As at 31 December	
	2012	2011
	USD	USD
Change in Fair Value for the Year	15,838,226	58,191,131
Energy Contracts	399,738,001	385,168,001

As at 31 December 2012, there were no Energy 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 or (payable) on completion of these trades is USD Nil (2011: USD Nil).

6. Energy Securities

	Year Ended 31 December	
	2012	2011
	USD	USD
Change in Fair Value for the Year	(15,838,226)	(58,191,131)
Energy Securities	399,738,001	385,168,001

As at 31 December 2012, there were no Energy Securities awaiting (creation) or redemption with trade dates before the year end and settlement dates in the following year. The amount (receivable) or payable on completion of these trades is USD Nil (2011: USD Nil).

7. Trade and Other Payables

	As at 31 December	
	2012	2011
	USD	USD
Management Fees Payable to ManJer	164,061	169,842

8. Stated Capital

	As at 31 December	
	2012	2011
	USD	USD
1,000 Shares of Nil Par Value, Issued at GBP 1 Each	1,742	1,742

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").

9. 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 ETFSL during the year:

	Year ended 31 December	
	2012	2011
	USD	USD
Management Fees	-	197,989

Management Fees paid to ManJer during the year:

	Year ended 31 December	
	2012	2011
	USD	USD
Management Fees	2,046,217	2,496,594

9. Related Party Disclosures - continued

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

	As at 31 December	
	2012	2011
	USD	USD
Management Fees Payable	164,061	169,842

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 37,500 (2011: GBP 37,500), of which GBP 9,375 (2011: GBP 9,375) 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.

10. 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 Energy Securities issued is related to the oil and carbon emissions prices by reference to the futures market as quoted on the relevant futures Exchanges and is managed by the Company by entering into Energy Contracts with Shell which exactly match the liability created by the issue of Energy Securities. The Company therefore bears no financial risk from a change in the price of oil by reference to the futures price.

However, there is an inherent risk from the point of view of investors as the price of crude oil and carbon emissions, and thus the value of the Energy Securities, may vary widely. The market price of Energy Securities is a function of supply and demand amongst investors wishing to buy and sell Energy Securities and the bid or 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 Energy Contracts or the Energy 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 Energy Securities and the ability of the Company to repay the redemption price is dependent on the receipt of such amount from Shell and may be affected by the credit rating attached to Shell.

The obligation of Shell under the Energy Contracts ranks only as an unsecured claim against Shell. However, those obligations are supported by a Standby Credit from Shell Treasury Dollar Company Limited. The letter of credit is not guaranteed by any other entity within the Shell Group.

10. Financial Risk Management – continued

(b) Credit Risk - continued

The Company manages its credit risk by only entering into Energy Contracts with major oil companies or any other company which owns oil, the rights to oil or has assets linked to the oil price and has an investment grade credit rating.

The risk is further mitigated by the fact that the Company has certain choices if the credit rating of Shell or another major oil company falls below certain levels. If Shell's long term senior debt credit rating falls below A+ from Standard and Poor's or A1 from Moody's then the Company may, on redemption of Energy Securities, elect to redeem any matching Energy Contracts of Shell. Further, the Company may split Energy Securities and Energy Contracts of the same class into two pools if, for example, one major oil company suffered a significant credit rating downgrade.

(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 Energy Securities is matched by movements in corresponding Energy 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 Energy Securities. These securities are issued as demand requires. The Company holds a corresponding amount of Energy Contracts which exactly matches the total securities issued. ManJer supplied and arranged the supply of all administrative services to the Company and paid all management and administration costs of the Company, including Trustee fees, in return for which the Company paid ManJer a fee equal to the management fee and creation and redemption fees charged to the Energy 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.

As all Energy Securities on issue are supported by an equivalent amount of Energy Contracts held by Shell 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 Energy 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 5 and 6.

10. Financial Risk Management - continued

(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 that 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 Energy 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 Energy Security. Therefore Energy Securities and Energy Contracts are classified as level 2 financial liabilities and financial assets respectively, as the Company's asset and liability is calculated using third party pricing sources supported by observable, verifiable inputs.

	Fair Value	
	2012	**2011**
Level 2	**USD**	**USD**
Energy Contracts	399,738,001	385,168,001
Energy Securities	399,738,001	385,168,001

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

11. 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.