

ETFS OIL SECURITIES LIMITED

Registered No: 88371

**Report and Financial Statements for the
Year ended 31 December 2010**

ETFS OIL SECURITIES LIMITED

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ETFS OIL SECURITIES LIMITED
MANAGEMENT AND ADMINISTRATION

Directors

Mr Graham J Tuckwell – Chairman
Mr Graeme D Ross
Mr Craig A Stewart
Mr Thomas K Quigley

Administrator and Company Secretary

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

Registered Office

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31 Pier Road
St Helier
Jersey
JE4 8PW

English Legal Advisers

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Jersey Legal Advisers

Mourant Ozannes
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St Helier
Jersey
JE4 8PX

German Legal Adviser

Dechert LLP
Theresienstraße 6
80333 Munich
Germany

Registrar

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

German Listing and Paying Agent

HSBC Trinkaus & Burkhardt AG
Königsallee 21/23
40212 Düsseldorf
Germany

Auditor

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

Trustee

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

Managers

ETF Securities Limited
(up to 31 December 2010)
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey
JE4 8PW

ETFS Management Company (Jersey) Limited
(effective from 1 January 2011)
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey
JE4 8PW

ETFS OIL SECURITIES LIMITED

DIRECTORS' REPORT

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 2010.

Directors

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

Mr Graham J Tuckwell - Chairman

Mr Greg J Burgess (resigned 3 September 2010)

Mr Graeme D Ross

Mr Craig A Stewart

Mr Thomas K Quigley (appointed 5 October 2010)

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.

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 with terms corresponding to the terms of Energy Securities ("Energy Contracts"). 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.

The Company's exposure to risk is discussed in note 12 to the accounts.

The Company had entered into a service agreement with ETF Securities Limited ("ETFSL"), whereby ETFSL was responsible for any 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 must transfer to ETFSL the Management Fee described above. As part of a Group restructuring exercise the directors agreed to transfer the management responsibilities of the Company on 1 January 2011 from ETFSL to ETFS Management Company (Jersey) Limited ("ManJer"). ManJer advised that it was willing to continue to provide the services previously provided by ETFSL to the Company. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

Review of Operations

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

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

ETFS OIL SECURITIES LIMITED

DIRECTORS' REPORT

As at 31 December 2010, assets under management amounted to USD 465.3 million (2009: USD 514.7 million). The Company recognises its assets (Energy Contracts) and 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:

| | <u>2010</u> <u>USD</u> | <u>2009</u> <u>USD</u> |
|------------------------------|---------------------------|---------------------------|
| Management Fees | 2,222,552 | 2,708,089 |
| Creation and Redemption Fees | 92,708 | 121,261 |
| Total Fee Income | <u>2,315,260</u> | <u>2,829,350</u> |

Under the terms of the service agreement with ETFSL, the Company accrued expenses equal to the Management Fees, which, after taking into account other operating income and expenses, resulted in an operating profit of:

| | <u>2010</u> <u>USD</u> | <u>2009</u> <u>USD</u> |
|-------------------------------|---------------------------|---------------------------|
| Operating Profit for the Year | <u>93,231</u> | <u>122,164</u> |

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 12 to the accounts.

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

The Company has declared dividends for 2010 of USD 52,723 (2009: USD 211,457). 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:

| | <u>Ordinary Shares of Nil Par Value</u> |
|---|---|
| Graham J Tuckwell (as controlling party of 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.

ETFSL OIL SECURITIES LIMITED

DIRECTORS' REPORT

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. The Directors are either members of Board of the Parent Company or members of the Board of the Company's administrator, R&H Fund Services Limited, and will continue to have such a composition of Directors beyond the forthcoming Annual General Meeting.

The Board of Directors meet as is required by the operations of the Company, but at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review.

Directors' Remuneration

No Director has a service contract with the Company and details of the Directors remuneration which has been paid by ETFSL on behalf of the Company is disclosed below.

| | 2010 Fees GBP | 2009 Fees GBP |
|--|------------------|------------------|
| Mr Graham J Tuckwell | Nil | Nil |
| Mr Greg J Burgess (resigned 3 September 2010) | Nil | Nil |
| Mr Graeme D Ross | 5,000 | 5,000 |
| Mr Craig A Stewart | 5,000 | 5,000 |
| Mr Thomas K Quigley (appointed 5 October 2010) | 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 ETFSL Oil Securities, has not undertaken any business, save for issuing and redeeming ETFSL Oil 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 ETFSL Oil Securities and performing the obligations and exercising its rights in relation thereto.

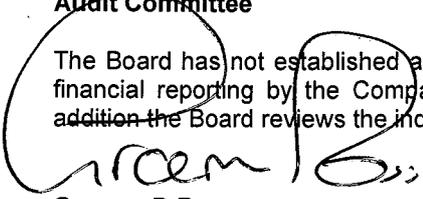
The Company was dependent upon ETFSL to provide management and administration services to it. ETFSL has outsourced the administration services to a regulated service provider in Jersey, R&H Fund Services (Jersey) Limited. Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them.

ETFSL promotes and provides management and other services to both the Company and other companies issuing commodity based securities. As noted above the existing service agreement was novated from ETFSL to a subsidiary of ETFSL, ManJer on 1 January 2011. This change will not impact the nature of the operations of the Company, and the Directors do not consider that the change will impact the governance or internal control environment of the Company.

The Board having reviewed the effectiveness of the internal control systems of the manager, 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 has met 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 D Ross

Director
Jersey

26 April 2011

ETFS OIL SECURITIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

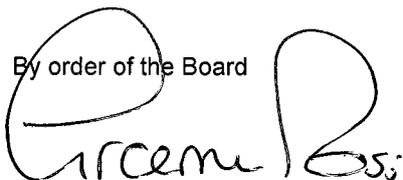
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

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

26 April 2011

ETFS OIL SECURITIES LIMITED
INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of ETFS Oil Securities Limited for the year ended 31 December 2010 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in shareholders' equity and the related notes 1 to 14. 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.

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 2010 and of its profit 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 proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Andrew Isham
For and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditors
St. Helier, Jersey

26 April 2011

ETF S OIL SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December | |
|---|------|------------------------|----------------|
| | | 2010 USD | 2009 USD |
| Revenue | 2 | 2,315,260 | 2,829,350 |
| Expenses | | | |
| Fees to ETFSL | 2 | (2,222,803) | (2,708,089) |
| Other Operating Income | | 774 | 903 |
| Operating Profit | 2 | <u>93,231</u> | <u>122,164</u> |
| Net Gain Arising on Fair Value of Energy Contracts | 7 | 58,419,535 | 240,988,117 |
| Net Loss Arising on Fair Value of Energy Securities | 8 | (58,419,535) | (240,988,117) |
| Profit and Total Comprehensive Income for the Year | | <u>93,231</u> | <u>122,164</u> |

The directors consider the Company's activities are continuing.

The notes on pages 11 to 18 form part of these financial statements

ETFS OIL SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December | |
|--|------|--------------------|--------------------|
| | | 2010 | 2009 |
| | | USD | USD |
| Current Assets | | | |
| Cash and Cash Equivalents | | 32,238 | 329,827 |
| Trade and Other Receivables | 6 | 218,001 | 231,259 |
| Energy Contracts | 7 | 465,309,004 | 514,743,116 |
| Amounts Receivable Awaiting Settlement | 8 | 1,294,327 | - |
| Total Assets | | 466,853,570 | 515,304,202 |
| Current Liabilities | | | |
| Energy Securities | 8 | 465,309,004 | 514,743,116 |
| Amounts Payable Awaiting Settlement | 7 | 1,294,327 | - |
| Trade and Other Payables | 9 | 197,989 | 549,344 |
| Total Liabilities | | 466,801,320 | 515,292,460 |
| Equity | | | |
| Stated Capital | 10 | 1,742 | 1,742 |
| Retained Profits | | 50,508 | 10,000 |
| Total Equity | | 52,250 | 11,742 |
| Total Equity and Liabilities | | 466,853,570 | 515,304,202 |

The financial statements on pages 7 to 18 were approved by the board of directors and signed on its behalf on 26 April 2011



Graeme D Ross
 Director

The notes on pages 11 to 18 form part of these financial statements

ETFS OIL SECURITIES LIMITED
STATEMENT OF CASH FLOWS

| | Year ended 31 December | |
|--|-------------------------------|-----------------|
| | 2010 | 2009 |
| | USD | USD |
| Cash Flows from Operating Activities | | |
| Cash Receipts from Operations | 2,328,448 | 2,676,505 |
| Payments to ETFSL | (2,424,772) | (2,366,414) |
| Net Proceeds from Issue of Securities | 748,301,449 | 1,497,290,671 |
| Net Payments for Dealing in Contracts | (748,301,449) | (1,497,290,671) |
| Cash (Used in)/ Generated from Operations | <u>(96,324)</u> | <u>310,091</u> |
| Bank Interest Received | 233 | 168 |
| Bank Charges Paid | (422) | (492) |
| Net Cash (Used in)/ Generated from Operating Activities | <u>(96,513)</u> | <u>309,767</u> |
| Cash Flows from Financing Activities | | |
| Loans Received | - | 21,500 |
| Dividends Paid | (191,932) | (60,329) |
| Net Cash Used in Financing Activities | <u>(191,932)</u> | <u>(38,829)</u> |
| Net (Decrease)/ Increase in Cash and Cash Equivalents | <u>(288,445)</u> | <u>270,938</u> |
| Cash and Cash Equivalents at the Beginning of the Year | 329,827 | 57,732 |
| Net (Decrease)/ Increase in Cash and Cash Equivalents | (288,445) | 270,938 |
| Exchange Adjustment | (9,144) | 1,157 |
| Cash and Cash Equivalents at the End of the Year | <u>32,238</u> | <u>329,827</u> |

The notes on pages 11 to 18 form part of these financial statements

ETFS OIL SECURITIES LIMITED**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

| | Stated Capital USD | Retained Earnings USD | Total Equity USD |
|---|-------------------------------|----------------------------------|-----------------------------|
| Opening Balance at 1 January 2009 | 1,742 | 99,293 | 101,035 |
| Total Comprehensive Income for the Year | - | 122,164 | 122,164 |
| Dividends | - | (211,457) | (221,457) |
| Balance at 31 December 2009 | <u>1,742</u> | <u>10,000</u> | <u>11,742</u> |
| | | | |
| Opening Balance at 1 January 2010 | 1,742 | 10,000 | 11,742 |
| Total Comprehensive Income for the Year | - | 93,231 | 93,231 |
| Dividends | - | (52,723) | (52,721) |
| Balance at 31 December 2010 | <u>1,742</u> | <u>50,508</u> | <u>52,250</u> |

The notes on pages 11 to 18 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) 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 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 note 8.

(a) Standards, amendments and interpretations effective on 1 January 2010:

- Various improvements to IFRSs (effective 1 July 2009 or 1 January 2010)
- IFRIC 17 'Distributions of non-cash assets to owners (effective 1 July 2009)

The adoption of the improvements and interpretation resulted to additional disclosures but did not have an impact on the Company's financial position or performance.

(b) Standards, amendments and interpretations effective on 1 January 2010 but not relevant to the Company:

- IFRS 1 'Revisions to IFRS on first-time adoption of IFRS' (effective 1 July 2009) and 'Additional exemptions for first-time adopters'
- IFRS 2 'Group cash-settled share based payments'
- IFRS 3 (2008) and IAS 27 (2008) 'Business combinations: consolidated and separate financial statements' (effective 1 July 2009)
- IAS 39 'Eligible Hedged Items' (effective 1 July 2009)
- IFRIC 18 'Transfers of assets from customers' (transfers received on or after 1 July 2009)

(c) Standards, amendments and interpretations that are not yet effective:

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' (effective 1 July 2011)
- IFRS 9 (as amended in 2010) 'Financial Instruments' (effective 1 January 2013)
- IAS 24 (revised in 2009) 'Related Party Disclosures' (effective 1 January 2013)
- Amendments to IAS 32 'Classification of Rights Issues' (effective 1 February 2010)
- Improvements to IFRSs issued in 2010 (Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011)

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

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 termination of an equal amount of Energy Contracts, no liquidity risk is considered to arise. All other liabilities of the Company were met by ETFSL and will continue to be met by ManJer; therefore the directors consider the Company to be a going concern 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 expense are recognised on an accruals basis.

Foreign Currency Translation

The presentational and functional currencies of the Company are both USD.

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 and one geographical segment and all information relevant to the understanding of the Company's activities is included in these financial statements.

Interest Income

Interest income is recognised on an accruals basis.

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. Gains and losses on loans and receivables which are impaired are recognised immediately in the statement of consolidated income.

Cash and Cash Equivalents

Cash and Cash Equivalents include deposits held at call with banks.

2. Operating Profit

Operating profit for the year comprised:

| | Year ended 31 December | |
|------------------------------------|-------------------------------|--------------------|
| | 2010 | 2009 |
| | USD | USD |
| Creation and Redemption Fees | 92,708 | 121,261 |
| Management Fee | 2,222,552 | 2,708,089 |
| Total Income | 2,315,260 | 2,829,350 |
| | | |
| Fees to ETFSL | (2,222,803) | (2,708,089) |
| Finance Charges | (259) | (254) |
| Net foreign Exchange Gain / (Loss) | 1,033 | 1,157 |
| Total Operating Expenses | (2,222,029) | (2,707,186) |
| | | |
| Operating Profit | 93,231 | 122,164 |

Audit fees for the year of GBP 17,500 (2009: GBP 17,000) will be met by ETFSL.

3. Directors' Remuneration

The following table discloses the remuneration of the directors of the Company. All directors' fees were met by ETFSL.

| | Year ended 31 December | |
|--|------------------------|-------|
| | 2010 | 2009 |
| | GBP | GBP |
| Mr Graham J Tuckwell | Nil | Nil |
| Mr Greg J Burgess (resigned 3 September 2010) | Nil | Nil |
| Mr Graeme D Ross | 5,000 | 5,000 |
| Mr Craig A Stewart | 5,000 | 5,000 |
| Mr Thomas K Quigley (appointed 5 October 2010) | Nil | Nil |

4. Taxation

Profits arising in the Company are subject to tax at the rate of zero per cent.

5. Employee Benefits

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

6. Trade and Other Receivables

| | 31 December 2010 | 31 December 2009 |
|------------------------------|------------------|------------------|
| | USD | USD |
| Creation and Redemption Fees | 20,012 | 25,829 |
| Management Fee | 197,989 | 205,360 |
| Accrued Income | - | 70 |
| | <u>218,001</u> | <u>231,259</u> |

7. Energy Contracts

| | Year Ended 31 December | |
|-----------------------------------|------------------------|--------------------|
| | 2010 | 2009 |
| | USD | USD |
| Change in Fair Value for the Year | 58,419,535 | 240,988,117 |
| Energy Contracts | <u>465,309,004</u> | <u>514,743,116</u> |

As at 31 December 2010, there were certain amounts of 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 was USD 1,294,327 (2009: nil).

8. Energy Securities

| | Year Ended 31 December | |
|-----------------------------------|------------------------|-------------|
| | 2010 | 2009 |
| | USD | USD |
| Change in Fair Value for the Year | 58,419,535 | 240,988,117 |
| Energy Securities | 465,309,004 | 514,743,116 |

As at 31 December 2010, there were certain amounts of 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 was USD 1,294,327 (2009: nil).

9. Trade and other Payables

| | 2010 | 2009 |
|-------------------|-----------------------|---------|
| | USD | USD |
| | Fees Payable to ETFSL | 197,989 |
| Dividends Payable | - | 149,386 |
| | 197,989 | 549,344 |

10. Stated Capital

| | 2010 | 2009 |
|--|-----------------------------------|-------|
| | USD | USD |
| | 1,000 Shares issued at GBP 1 Each | 1,742 |

The Company has an unlimited capital of no par value shares.

All shares issued by the Company carry one vote per share without restriction and carry the right to dividends.

On 22 December 2010 the entire share capital of the Company was transferred from ETFSL to ETFS Holdings (Jersey) Limited ("HoldCo").

11. Related Party Disclosures

The immediate parent Company is HoldCo, a Jersey registered Company. The ultimate beneficiary is Graham J Tuckwell through his shareholding in ETFSL. ETFSL is the parent Company of HoldCo.

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

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

| | 2010 | 2009 |
|--|-----------------|-----------|
| | USD | USD |
| | Management Fees | (197,989) |

As disclosed in note 3 above, ETF Securities Limited paid Directors' fees in respect of the Company of GBP 10,000 (2009: GBP 10,000).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. Graeme D Ross is also a director of Computershare Investor Services (Jersey) Limited, the registrar. During the year, R&H charged ETFSL secretarial and administration fees in respect of the

Company of GBP 37,811 (2009: GBP 43,750), of which GBP 9,375 (2009: GBP 9,375) was outstanding at the year end. Computershare charged ETFSL registrar fees in respect of the Company of GBP 16,814 (2009: 12,809), of which GBP 4,062 (2009: 4,772) was outstanding at the year end.

As part of a Group restructuring exercise the directors agreed to transfer the management responsibilities of the Company on 1 January 2011 from ETFSL to ETFS Management Company (Jersey) Limited ("ManJer"). ManJer advised that it was willing to continue to provide the services previously provided by ETFSL to the Company. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

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

12. 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) 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 holds a current account at a large international bank and this is where the cash received from the creation and redemption fees is held. The rate of interest received on the account is at the banks variable rate. Due to the level of cash held in the account the directors do not believe that any move in interest rates would seriously affect the operations of the Company.

(b) Market 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 Trading Switzerland A.G. which exactly match the liability created by the issue of Energy Securities. The Company 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.

(c) 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 Trading Switzerland A.G. ("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 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.

(d) Liquidity Risk

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.

(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. ETFSL 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 ETFSL a Management. This relationship will be continued by ManJer as discussed in Note 11.

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 ETFSL and will continued to be paid by ManJer, the directors of the Company consider the capital management and value of Shareholders' Funds are adequate to maintain the on-going listing and issue of Energy Securities.

(f) 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.

(g) 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 registrar's 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 7 and 8.

(h) Market Price Risk

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 NAV's of each class of Energy Security. Therefore Energy Securities are classified as level 2 financial liabilities and the Energy Contracts as level 2 financial assets as they are calculated using third party pricing sources supported by observable, verifiable inputs.

| | Fair value 2010 USD | Fair value 2009 USD |
|---------|---------------------------|---------------------------|
| Level 2 | 465,309,004 | 514,743,116 |

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

13. Ultimate Controlling Party

The ultimate controlling party is Graham J Tuckwell, through his majority shareholding in ETFSL.

14. Events after the Reporting Period

On 22 December 2010 the directors agreed that all manager responsibilities of the Company would be transferred from ETFSL to ManJer as part of the Group restructuring exercise. It was agreed that this change would take effect from 1 January 2011.

The directors believe that the restructuring exercise will have no material impact on the operation of the Company.