

ETFs OIL SECURITIES LIMITED

Registered No: 88371

**Report and Financial Statements for the
Year ended 31 December 2007**

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ETFS OIL SECURITIES LIMITED

MANAGEMENT AND ADMINISTRATION

Directors

Graham Tuckwell – Chairman
Vince FitzGerald
Graeme Ross
Craig Stewart
Leanne Baker
Benjamin Cukier - appointed 20/03/07

Company Secretary

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

Registered Office

Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey JE4 8PW

English Legal Advisers

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

Jersey Legal Advisers

Mourant du Feu & Jeune
22 Grenville Street
St Helier
Jersey JE4 8PX

Registrar

Computershare Investor Services (Channel Islands) Limited
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey JE4 8PW

German Legal Adviser

Dechert LLP
Theresienstraße 6
80333 Munich
Germany

German Listing and Paying Agent

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

Auditors

Ernst & Young LLP
Liberation House
Castle Street
St Helier
Jersey JE1 1EY

Trustee

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

ETFs OIL SECURITIES LIMITED

DIRECTORS' REPORT

The directors of ETFs Oil Securities Limited ("OSL"/"the Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2007.

Directors

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

Mr Graham John Tuckwell — Chairman (appointed 20 August 2004)

Mr Tuckwell is a founder and the chairman of Gold Bullion Securities Limited (Jersey) and Gold Bullion Securities Limited (Australia), which companies obtained the world's first listings of a commodity on a stock exchange. Gold Bullion Securities are traded on the London Stock Exchange (code: GBS) and on the Australian Stock Exchange (code: GOLD). Mr Tuckwell is also the founder and managing director of Investor Resources Limited, a boutique corporate advisory firm established more than eight years ago, which specialises in providing financial, technical and strategic advice to the resources industry. He has more than 20 years of corporate and investment banking experience. Prior to establishing Gold Bullion Securities Limited and Investor Resources Limited, Mr Tuckwell was Head of Mining Asia/Pacific at Salomon Brothers, Group Executive Director at Normandy Mining responsible for Strategy and Acquisitions and Head of Mergers and Acquisitions at Credit Suisse First Boston in Australia. He holds a Bachelor of Economics (Honours) and a Bachelor of Laws degree from the Australian National University.

Dr. Vince FitzGerald — Non-Executive Director (appointed 1 February 2005)

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

Graeme Ross — Non-Executive Director (appointed 1 February 2005)

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

Directors - continued

Craig Stewart — Non-Executive Director (appointed 1 February 2005)

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

Dr. Leanne M. Baker — Non-Executive Director (appointed 3 March 2006)

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

Benjamin Cukier — Non-Executive Director (appointed 20 March 2007)

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

Principal Activities

The Company's principal activity is the listing and issue of ETFS Brent Oil Securities and ETFS WTI Oil Securities. On 13 July 2007 the Directors approved the issuance of six new classes of ETFS Oil Securities which (together with the existing ETFS Oil Securities) will give exposure to four different maturities of both ICE Future's Brent and NYMEX's WTI oil futures contracts. All transaction documents relating to the new issuance were tabled and approved at the meeting. Consent was requested and given by the Jersey regulator with regard to the issuance of the new securities. During the course of the year all eight classes of ETFS Brent Oil Securities and ETFS WTI Oil Securities were issued. These securities allow investors to gain exposure to movements in crude oil futures prices without needing to purchase or take physical delivery of oil or to trade in futures contracts. It also allows investors to buy and sell that interest through the trading of a security on the London Stock Exchange.

ETFS Oil Securities Limited changed its name from Oil Securities Limited on 14 July 2006, as a result of the name change of the Company, the name of the securities were also changed from Brent Oil Securities and WTI Oil Securities to ETFS Brent Oil Securities and ETFS WTI Oil Securities.

An Oil Security is an undated secured limited recourse debt obligation of the Issuer (ETFS Oil Securities Limited), which entitles a Security Holder (provided it is an Authorised Participant) to require the redemption of the security and on the Redemption Date receive, in US dollars, an amount equal to the product of the Reference Price multiplied by the Entitlement (as detailed in the prospectus). A Security Holder who is not an Authorised Participant may only require the redemption of an Oil Security if on any given Trading Day there is no Authorised Participant, and the Security Holder submits a valid Redemption Notice on that Trading Day.

In order to issue the ETFS Oil Securities the Company has entered into Oil Purchase Agreements with Shell Trading Switzerland A.G. to permit the Company to purchase and redeem Brent Oil Contracts and WTI Oil Contracts at prices equivalent to the issued ETFS Oil Securities. The ETFS Oil Securities are constituted by a Trust instrument between ETFS Oil Securities Limited and the Law Debenture Trust Corporation plc ("Trustee") as trustee for the Security Holders of each class.

ETFS Oil Securities confer no right to receive physical oil but are financial instruments designed to track the price of oil futures. ETFS Oil Securities have been designed to give investors an exposure similar to that which an investor could achieve by managing an unleveraged long position in near-term futures contracts. However, unlike managing a futures position, ETFS Oil Securities involve no margin calls, and no brokerage or other fees are incurred when rolling from one contract to the next. Under the current pricing structure, however, no interest is earned on the funds invested. Oil futures contracts for a series of monthly/yearly delivery dates are quoted on the IPE in London and the NYMEX in New York and in each case contracts with nearby delivery dates will be used to price ETFS Oil Securities.

Review of Operations

The Company was incorporated on 20 August 2004 and the ETFS Oil Securities issued by the Company were admitted to the official list of the UK Listing Authority on 13 July 2005. Trading of ETFS Brent Oil Securities commenced on the London Stock Exchange on 25 July 2005. ETFS WTI Oil Securities have been listed on the official list of the UK Listing Authority and admitted to trading on the Domestic Market of the London Stock Exchange (a regulated market) since 11 May 2006. Trading takes place within the Exchange Traded Commodities segment of the London Stock Exchange.

ETFS OIL SECURITIES LIMITED

DIRECTORS' REPORT - CONTINUED

Review of Operations - continued

The ETFS Oil Securities were also included in the Sistema Internacional de Cotizaciones ("SIC"), Mexico, on 29 September 2005.

ETFS Brent Oil Securities and ETFS WTI Oil Securities have been admitted to listing on Eurolist by Euronext Amsterdam and to trading on Euronext Amsterdam's market for listed securities since 28 July 2006.

ETFS Brent Oil Securities and ETFS WTI Oil Securities have been listed on the Official Market (Amtlicher Markt) of the Frankfurt Stock Exchange and admitted to trading on the Official Market of the Frankfurt Stock Exchange (a regulated market since 30 October 2006). Trading within the Xetra segment of the Frankfurt Stock Exchange commenced on 31 October 2006.

ETFS Brent Oil Securities and ETFS WTI Oil Securities were admitted to the Eurolist of Euronext SA, Paris (a regulated market) and to trading on Euronext SA since 12 February 2007.

On 20 March 2007 the Directors agreed to apply for listing of the securities on the new ETC segment of the Borsa Italiana. The application was successful and the securities are also now listed on the Borsa Italiana s.p.a.

At the Directors meeting which was held on 13 July 2007 the Directors agreed to apply for admission of the new classes of ETFS Oil Securities to the Official List of the UK Listing Authority and for admission to trading on the London Stock Exchange. The application was successful and the securities are now listed.

A total of 1,531,456 Brent one month Oil Securities, 6,360 Brent one year Oil Securities, 2,500 Brent two year Oil Securities, 43,400 Brent three year Oil Securities, 385,905 WTI two month Oil Securities, 5,000 WTI one year Oil Securities, 10,000 WTI two year Oil Securities and 62,500 WTI three year securities were in issue at 31 December 2007.

During the year, the Company generated Creation and Redemption fees connected with the issue of and redemption of ETFS Oil Securities. Income from these sources amounted to USD32,371 (2006: USD33,802). In addition, the Company received from Shell Trading Switzerland A.G. ("Shell") a Management Fee calculated at 0.5% per annum based on the total daily value of Oil Contracts outstanding. Income from this source amounted to USD933,964 (2006: USD745,342), giving a total trading income of USD966,335 (2006: USD779,144) for the year ended 2007.

The operating costs of the Company over the same period amounted to USD933,964 (2006: USD745,847). These comprised paying a Management Fee to ETF Securities Limited ("ETFSL") of 0.5% per annum.

As a result, the Company realised a profit from trading operations of USD33,927 (2006: USD34,293) after bank interest and charges.

The Company's liability in connection with the issue of ETFS Oil Securities is tied directly to the price of the Oil Contracts. The movement is reflected on the balance sheet and through the income statement in accordance with the Company's accounting policy.

The Company holds Oil Contracts as security for the ETFS Oil Securities in issue and bears no financial risk from the movement in the oil price. The decrease in market value of the Oil Contracts reflects the depreciation of the Oil Contracts as valued at the balance sheet date compared to the value of the Oil Contracts acquired by the Company throughout the period.

These items effectively cancel each other out and have no net effect on the income statement.

ETFS OIL SECURITIES LIMITED

DIRECTORS' REPORT - CONTINUED

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 directors do not recommend the provision or payment of a dividend to holders of Ordinary Shares for the year. It is the Company's policy that dividends will only be declared when the directors are of the opinion that there are sufficient retained reserves.

Employees

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

Company Secretary

Greg Burgess resigned as Secretary of the Company on 10 July 2006.

R&H Fund Services (Jersey) Limited were appointed as Secretary of the Company from 10 July 2006.

Directors' Interests

The following table sets out each director's interest in Ordinary shares as at the date of this report:

Directors	Ordinary Shares of Nil Par Value
Graham John Tuckwell (as controlling party of ETFSL, the immediate parent company)	1,000

Directors' Remuneration

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

Name	Fees 2007	Fees 2006
Specified Directors:		
Graham J Tuckwell	Nil	Nil
Graeme D Ross (paid by ETFSL)	£5,000	£5,000
Craig A Stewart (paid by ETFSL)	£5,000	£5,000
Vincent WJ FitzGerald	Nil	Nil
Leanne M Baker	Nil	Nil
Greg Burgess	Nil	Nil

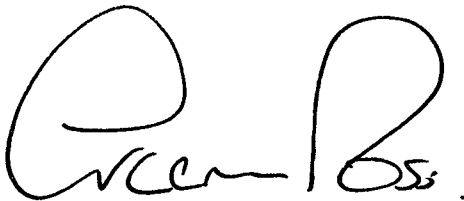
ETFs OIL SECURITIES LIMITED

DIRECTORS' REPORT - CONTINUED

Auditors

A resolution to re-appoint Ernst & Young LLP will be proposed at the forthcoming annual general meeting.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Graeme D Ross'.

Graeme D Ross
Director

Jersey

25 June 2008

ETFS OIL SECURITIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Law and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETFS OIL SECURITIES LIMITED

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 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 auditors' 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 auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Report and consider whether it is consistent with the audited financial statements. The other information comprises the Management and Administration, the Directors' Report and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

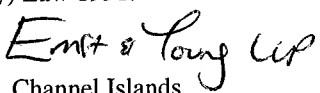
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.


Jersey, Channel Islands
Date: 26th June 2008

ETFS OIL SECURITIES LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Year ended 31 December 2007 USD	Year ended 31 December 2006 USD
Revenue From Ordinary Activities			
Decrease in fair value of the ETFS Oil Securities	9	-	17,053,306
Increase in the fair value of Oil Contracts	8	82,780,370	-
Creation and Redemption Fees	2	32,371	33,802
Management Fee	2	933,964	597,346
Selling Concession	2	-	147,996
Bank Interest Received		<u>2,354</u>	<u>996</u>
		<u>83,749,059</u>	<u>17,833,446</u>
Expenses From Ordinary Activities			
Decrease in the fair value of Oil Contracts	8	-	17,053,306
Increase in fair value of the ETFS Oil Securities	9	82,780,370	-
Management Fee	2	933,964	597,346
Selling Concession	2	-	147,996
Bank Charges	2	330	505
Exchange Loss		<u>468</u>	<u>-</u>
		<u>83,715,132</u>	<u>17,799,153</u>
Profit From Ordinary Activities	2	<u>33,927</u>	<u>34,293</u>
The directors consider the Company's activities are continuing.			
Retained Profit			
Retained profit brought forward		51,972	17,679
Profit from ordinary activities		<u>33,927</u>	<u>34,293</u>
Retained Profit carried forward		<u>85,899</u>	<u>51,972</u>

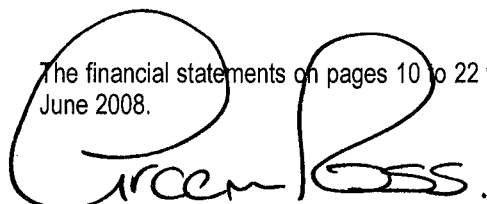
The notes on pages 14 to 22 form part of these financial statements

ETFS OIL SECURITIES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 USD	2006 USD
Current Assets			
<i>Financial Assets at fair value through profit or loss</i>			
Oil Contracts held	8	164,387,640	193,313,029
<i>Other current assets</i>			
Debtors	7	23,935	23,242
Creation and Redemption Fees receivable		31,857	29,845
Management Fee and Selling Concession receivable		63,773	75,102
Cash		<u>31,849</u>	<u>627</u>
Total Current Assets		<u>164,539,054</u>	<u>193,441,845</u>
Total Assets		<u>164,539,054</u>	<u>193,441,845</u>
Current Liabilities			
<i>Financial Liabilities at fair value through profit or loss</i>			
ETFS Oil Securities in issue	9	164,387,640	193,313,029
<i>Other current liabilities</i>			
Trade Creditors		<u>63,773</u>	<u>75,102</u>
Total Current Liabilities		<u>164,451,413</u>	<u>193,388,131</u>
Equity			
Stated Capital	10	1,742	1,742
Retained Profits		<u>85,899</u>	<u>51,972</u>
Total Equity		<u>87,641</u>	<u>53,714</u>
Total Equity and Liabilities		<u>164,539,054</u>	<u>193,441,845</u>

The financial statements on pages 10 to 22 were approved by the board of directors and signed on its behalf on 25 June 2008.



Graeme D Ross
Director

The notes on pages 14 to 22 form part of these financial statements

ETFS OIL SECURITIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Year ended 31 December 2007 USD	Year ended 31 December 2006 USD
<i>Cash Flows From Operating Activities</i>		
Creation and Redemption Fees received	30,359	6,577
Management Fee and Selling Concession received	945,293	670,241
Proceeds from the issue of ETFS Oil Securities	129,536,236	235,250,072
Payment on redemption of ETFS Oil Securities	(241,241,994)	(84,393,645)
Payment for purchase of Oil Contracts	(129,536,236)	(235,250,072)
Proceeds on redemption of Oil Contracts	241,241,994	84,393,645
Management Fee and Selling Concession paid	(945,293)	(670,241)
Bank charges paid	<u>(330)</u>	<u>(505)</u>
<i>Net cash provided by operating activities</i>	30,029	6,072
<i>Cash Flows From Investing Activities</i>		
Bank interest received	<u>1,661</u>	<u>996</u>
<i>Net cash provided by investing activities</i>	1,661	996
<i>Cash Flows From Financing Activities</i>		
Proceeds from issue of ordinary shares	-	-
Loans made	<u>-</u>	<u>(14,000)</u>
<i>Net cash (used in) financing activities</i>	-	(14,000)
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	31,690	(6,932)
<i>Exchange adjustment on revaluation of bank account</i>	(468)	-
<i>Cash and Cash Equivalents at the beginning of the year</i>	<u>627</u>	<u>7,559</u>
<i>Cash and Cash Equivalents at the end of the year</i>	<u><u>31,849</u></u>	<u><u>627</u></u>

The notes on pages 14 to 22 form part of these financial statements

ETFS OIL SECURITIES LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Premium USD	Retained profit USD	Total equity USD
Opening Balance at 31 December 2005	1,742	17,679	19,421
Profit for the period	<u>-</u>	<u>34,293</u>	<u>34,293</u>
Balance at 31 December 2006	<u>1,742</u>	<u>51,972</u>	<u>53,714</u>
Opening Balance at 1 January 2007	1,742	51,972	53,714
Profit for the year	<u>-</u>	<u>33,927</u>	<u>33,927</u>
Balance at 31 December 2007	<u>1,742</u>	<u>85,899</u>	<u>87,641</u>

The notes on pages 14 to 22 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 (IFRS) 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 IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The accounting policies appropriate to the company are detailed below.

Standards, amendments and interpretations not impacting on the company, issued but not effective for the year ended 31 December 2007:

IFRS 8, Operating Segments

IAS 23, Borrowing Costs. Revised

IFRIC 11, IFRS2: Group and Treasury Share Transactions

IFRIC 12, Service Concession Arrangements

IFRIC 13, Customer Loyalty Programmes

IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

1. Accounting Policies - continued

Going concern

These financial statements have been prepared on the going concern basis as the Directors consider the operations of the Company to be ongoing. However, due to the nature of the company's business, consideration must be given to the following points as these situations may arise at some point and this may result in the early redemption of the outstanding Oil Securities.

In certain circumstances the Company and Shell Trading Switzerland A.G. ("Shell") have the right to call for redemption of all, but not some, of the ETFS Oil Securities or Oil Contracts in issue. Shell may at any time give OSL not less than 1 year's notice of the redemption, the termination redemption date can be no earlier than 30 June 2011 unless, if over any consecutive three month period starting in 2008 the average Total Fund Size is less than USD300 million in 2008 or for such a period starting in 2009 less than USD500 million, provided that Shell may not give any such notice in respect of any such three month period later than 45 days following the end of such three month period.

The Company has no intention and believes Shell currently has no intention of effecting such a redemption. If such a redemption did occur it would not affect the ability of the Company to remain as a going concern, however the activity of the Company would be minimal.

Shell has only agreed to provide Oil Contracts to the Company for seven years from the commencement of the Oil Purchase Agreement. If Shell or another major oil company does not agree to provide Oil Contracts beyond this date then the Oil Contracts will expire and the Company will redeem the outstanding ETFS Oil Securities.

Foreign currency translation

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

Transactions of the Company that are denominated in foreign currencies are translated into USD at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates ruling at that date. The resulting differences are accounted for in the income statement.

Revenue/Expenses

Fees received for the issue and redemption of securities are recognised at the date on which the transaction becomes legally binding. The Management Fee income is recognised on an accruals basis as is the Management Fee expense. Other income/expenses are recognised on an accruals basis.

Gains or losses recognised on ETFS Oil Securities and Oil Contracts represent the difference between the fair value of the ETFS Oil Securities/Oil Contracts on issue/purchase and their fair value at the balance sheet date. These are shown in the income statement as revenue/expenses.

Segmental Reporting

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

1. Accounting Policies - continued

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.

Interest Income

Revenue is recognised as interest accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

Capital Management

The Company's principal activity is the listing and issue of ETFS Oil Securities. Due to the nature of the Company's business it issues ETFS Oil Securities from time to time as demand dictates. It also holds a corresponding amount of Oil Contracts to exactly match any security issued.

The Company is a wholly owned subsidiary company of ETFSL.

Financial Instruments

Cash and Cash Equivalents

Cash and Cash Equivalents includes cash in hand and deposits held at call with banks.

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 Income Statement.

ETFS Oil Securities & 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 Brent Oil Contracts and WTI Oil Contracts ("Oil Contracts") at prices equivalent to Brent Oil Securities and WTI Oil Securities issued or redeemed on the same day. Each time an Oil Security is issued or redeemed by the Company a matching number and value of Oil Contracts are purchased or redeemed from Shell. The Oil Contracts represent financial assets of the Company and the ETFS Oil Securities give rise to financial liabilities.

Financial assets and liabilities are recognised and de-recognised on the trade date (the date on which the Authorised Participant applies for or redeems ETFS Oil Securities).

i) Issuance and Redemption continued

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

The Redemption Amount for each Oil Contract is determined in accordance with the relevant Oil Purchase Agreement and is equivalent to the amount payable on the redemption of the Oil Security.

ii) Pricing

The fair value and the price at which the ETFS Oil Securities and Oil Contracts are issued and redeemed is calculated as Reference Price x Entitlement, in accordance with the prospectus.

Other than during the Roll Period, the Reference Price is the closing settlement price, on the applicable trading day, for the Near Contract (as defined in the Prospectus). During the Roll Period the Reference Price is a weighted average of the closing settlement price, on the applicable trading day, for the Near Contract and Next Contract (being the futures contract next expiry after the Near Contract).

The Entitlement is an adjustment made on each Roll Day to reflect any difference between the Near Contract and Next Contract price whether in backwardation or contango, and is also adjusted each trading day to reflect the Management Expenses and Selling Concessions.

iii) Designation to Fair Value through Profit or Loss

Each ETFS Oil Security/Contract comprises a debt instrument whose redemption price is linked directly to the price of oil 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 Oil Security and Oil Contract to be shown in the income statement. This treatment is appropriate for the assets and liabilities (Oil Contracts and ETFS Oil Securities) as it is intended that the asset and liability are equally matched.

2. Profit from Ordinary Activities

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

	Year ended 31 December 2007	Year ended 31 December 2006
	USD	USD
a) Revenue from ordinary activities includes:		
Creation and Redemption Fees	32,371	33,802
Management Fee receivable from Shell	933,964	597,346
Selling Concession receivable from Shell	-	147,996
	<u>966,335</u>	<u>779,144</u>

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

The Management Fee is calculated at 0.5% per annum based on the total daily value of Oil Contracts outstanding.

ETFSL OIL SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 - CONTINUED

	Year ended 31 December 2007 USD	Year ended 31 December 2006 USD
b) Expenses include:		
Management Fee payable to ETFSL	933,964	597,346
Selling Concessions	-	147,996
Bank Charges	<u>330</u>	<u>505</u>
	<u>934,294</u>	<u>745,847</u>

In conducting its business, the Company receives and pays for services from a number of Jersey and UK based suppliers. All the above-mentioned costs have been incurred in the normal course of business. The establishment costs were paid by individual shareholders of the parent company and are not liabilities of, or recorded within, the financial statements of the Company.

With effect from the commencement of the Company's activities, a Service Agreement was entered into by the Company and ETF Securities Limited (the parent company), Jersey registered company no 88370 ("ETFSL"). Pursuant to this Agreement, ETFSL is responsible for supplying the following services required by the Company:

- any advisory or consultancy services required by the Company in connection with establishing or running the Programme; and
- any advertising services in connection with the Programme, together with such other services as the parties may from time to time agree.
- all transactions are carried out at arms length.

In return for ETFSL performing its obligations under the Service Agreement, the Company pays to ETFSL a fee equal to the Management Fee received from Shell Trading Switzerland A.G.

3. Directors' Remuneration

The directors of ETFSL Oil Securities Limited during the year were:

- Mr Graham John Tuckwell
- Dr Vincent William John FitzGerald
- Mr Graeme David Ross
- Mr Craig Andrew Stewart
- Dr Leanne Baker
- Mr Benjamin Cukier (appointed 20 March 2007)

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

	Year ended 31 December 2007 Fees	Year ended 31 December 2006 Fees
Specified Directors:		
Graham J Tuckwell	Nil	Nil
Vincent W J FitzGerald	Nil	Nil
Graeme D Ross (paid by ETFSL)	£5,000	£5,000
Craig A Stewart (paid by ETFSL)	£5,000	£5,000
Leanne Baker	Nil	Nil
Benjamin Cukier	Nil	Nil

ETFs OIL SECURITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 - CONTINUED**

Mr Tuckwell and Mr Cukier are not entitled to receive any emoluments in respect of their Directorships. Dr FitzGerald and Dr Baker received ordinary shares in the Holding Company in respect of their Directors fees for the period, the details of which are disclosed in the financial statements of the Holding Company. None of the Director's have agreed to waive or have waived any of their emoluments from the Company.

4. Jersey Exempt Company

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

5. Remuneration of Auditors

	Year ended 31 December 2007 GBP	Year ended 31 December 2006 GBP
Audit of annual financial statements	19,000	18,000

The fees paid or payable in respect of the Company for the financial period are paid by the parent entity.

6. Employee Benefits

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

7. Debtors	2007 USD	2006 USD
Unpaid Share Premium (see note 10)	1,742	1,742
Loan to parent company (see note 12)	21,500	21,500
Accrued income	<u>693</u>	<u>-</u>
	<u>23,935</u>	<u>23,242</u>

8. Oil Contracts held for ETFs Oil Securities Issued	2007 USD	2006 USD
Fair Value at designation as fair value through profit or loss	81,607,270	210,366,335
Change in fair value	<u>82,780,370</u>	<u>(17,053,306)</u>
Fair value at balance sheet date	<u>164,387,640</u>	<u>193,313,029</u>

A total of 1,531,456 ETFs Brent one month Oil Contracts (2006: 2,571,632) with a fair value of \$119,357,393 (2006: \$131,582,314), 6,360 ETFs Brent one year Oil Contracts with a fair value of \$591,975, 2,500 ETFs Brent two year Oil Contracts with a fair value of \$222,808, 43,400 ETFs Brent three year Oil Contracts with a fair value of \$3,795,385, 385,904 (2006: 1,072,055) ETFs WTI two month Oil Contracts with a fair value of \$33,636,902 (2006: \$61,730,715), 5,000 ETFs WTI one year Oil Contracts with a fair value of \$468,418, 10,000 ETFs WTI two year Oil Contracts with a fair value of \$883,831 and 62,500 ETFs WTI three year Oil Contracts with a fair value of \$5,430,928 are on issue from Shell Trading Switzerland A.G. At the balance sheet date, these Oil Contracts are shown at fair value.

ETFs OIL SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 - CONTINUED

9. ETFs Oil Securities in Issue	2007 USD	2006 USD
Fair Value at designation as fair value through profit or loss	81,607,270	210,366,335
Change in fair value	<u>82,780,370</u>	<u>(17,053,306)</u>
Fair value at balance sheet date	<u>164,387,640</u>	<u>193,313,029</u>

As at the balance sheet date, a total of 1,531,456 ETFs Brent one month Oil Securities (2006: 2,571,632) with a fair value of \$119,357,393 (2006: \$131,582,314), 6,360 ETFs Brent one year Oil Securities with a fair value of \$591,975, 2,500 ETFs Brent two year Oil Securities with a fair value of \$222,808, 43,400 ETFs Brent three year Oil Securities with a fair value of \$3,795,385, 385,904 (2006: 1,072,055) ETFs WTI two month Oil Securities with a fair value of \$33,636,902 (2006: \$61,730,715), 5,000 ETFs WTI one year Oil Securities with a fair value of \$468,418, 10,000 ETFs WTI two year Oil Securities with a fair value of \$883,831 and 62,500 ETFs WTI three year Oil Securities with a fair value of \$5,430,928 are on issue from Shell Trading Switzerland A.G. At the balance sheet date, these Oil Securities are shown at fair value.

10. Stated Capital	2007 USD	2006 USD
1,000 shares of £1 each	1,742	1,742

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

All shares issued by ETFs Oil Securities Limited carry one vote per share without restriction and carry the right to dividends. All shares are held by the parent entity, ETFSL, a Jersey registered company.

	No.	2007 USD	2006 USD
Balance at beginning of year	1,000	1,742	1,742
Movement during the year	-	-	-
Balance at end of year	<u>1,000</u>	<u>1,742</u>	<u>1,742</u>

11. Contingent Liabilities and Contingent Assets

The Company does not have any material contingent liabilities or contingent assets at 31 December 2007.

12. Related Party Disclosures

The immediate and ultimate parent company is ETFSL, a Jersey company registered No: 88370.

Entities which have a significant influence over the Company through the ownership of ETFSL shares, or by virtue of being a director or trustee of the Company or the holding company are related parties of ETFs Oil Securities Limited.

The following transactions with ETFSL took place during the year:	2007 USD	2006 USD
Management Fee for the year	<u>933,964</u>	<u>597,346</u>

This management fee has been calculated in accordance with the prospectus.

ETFS OIL SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 - CONTINUED

The following balances were due (to)/from ETFSL at the year end:

Management Fees payable at the end of the year	<u>(63,773)</u>	<u>(75,102)</u>
Loan receivable	21,500	21,500
Share premium receivable	<u>1,742</u>	<u>1,742</u>
	<u>23,242</u>	<u>23,242</u>

The loan is interest free and there is no set date for repayment.

As disclosed in note 3 above, ETF Securities Limited paid Directors fees in respect of the Company of £10,000 (2006: £10,000).

Graeme Ross and Craig Stewart are directors of Computershare Investor Services (Channel Islands) Limited, the registrar and R&H Fund Services (Jersey) Limited, the administrator. During the period, ETF Securities Limited paid registrar, secretarial and administration fees to the registrar and administrator of £24,250 (2006: £14,000).

£10,000 (2006: £4,625) was outstanding at the year end.

Benjamin Cukier is also a Partner of FTVentures (L.P.) ("FTV"). FTV own the majority of the preference shares in the Company's holding company, ETFSL.

13. Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk arising from its activities. The risk management policies employed by the Company to manage these risks are discussed below.

(a) Interest Rate Risk

The Company does not have significant exposure to interest rate risk as neither the Oil Contracts or the ETFS Oil 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 Director's do not believe that any move in interest rates would seriously effect the operations of the Company.

(b) Market Risk

The Company's liability in respect of the ETFS Oil Securities issued is related to the oil price by reference to the futures market as quoted on the relevant futures Exchanges and is managed by the Company by entering into Oil Contracts with Shell Trading Switzerland A.G. which exactly match the liability created by the issue of ETFS Oil 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 thus the value of the ETFS Oil Securities, may vary widely. The market price of ETFS Oil Securities is a function of supply and demand amongst investors wishing to buy and sell ETFS Oil Securities and the bid/offer spread that the market makers are willing to quote.

(c) Credit Risk

The value of ETFS Oil 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 Oil 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 Oil Purchase Agreements 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 Oil Major 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 a redemption of ETFS Oil Securities, elect to redeem any matching Oil Contracts of Shell. Further, the Company may split ETFS Oil Securities and Oil Contracts of the same class into two pools if, for example, one Oil Major Company suffered a significant credit rating downgrade.

(d) Liquidity Risk

Liquidity risk is borne by the Authorised Participants as they are the market makers for the ETFS Oil Securities.

(e) Settlement Risk

There is an element of risk in respect of the settlement of the securities, given that the Authorised Participants could fail to deliver the cash/securities on the given settlement date.

The risk is minimised by the fact that the Company is only dealing with Authorised Participants all of whom are large institutional investors.

14. Additional Company Information

ETFS Oil Securities Limited is a public company incorporated in Jersey, Channel Islands, the debt securities of which have been admitted to the official list of the UK Listing Authority under the debt listing rules and admitted to trading on the London Stock Exchange (LSE). Trading of ETFS Brent Oil Securities commenced on the London Stock Exchange on 25 July 2005. ETFS WTI Oil Securities have been listed on the official list of the UK Listing Authority and admitted to trading on the Domestic Market of the London Stock Exchange (a regulated market) since 11 May 2006. Trading takes place within the Exchange Traded Commodities segment of the London Stock Exchange.

The Company's ETFS Oil Securities (LSE Code: OILB) are quoted on the LSE, Euronext Amsterdam, the Frankfurt Stock Exchange, Euronext SA and Borsa Italiana.

15. Ultimate Controlling Party

The ultimate controlling party is Graham Tuckwell.