

20 July 2007



*“Bringing Exchange Traded Commodities to the World’s Stock Exchanges”*

## **ETFs Oil Securities Limited**

*(Incorporated and registered in Jersey under  
the Companies (Jersey) Law 1991 (as amended) with registered number 88371)*

Programme for the Issue of

### **Oil Securities**

comprising:

<b>Class</b>	<b>LSE code</b>
ETFs Brent 1mth	OILB
ETFs Brent 1yr	OSB1
ETFs Brent 2yr	OSB2
ETFs Brent 3yr	OSB3
ETFs WTI 2mth	OILW
ETFs WTI 1yr	OSW1
ETFs WTI 2yr	OSW2
ETFs WTI 3yr	OSW3

The Issuer is issuing eight separate types of Oil Securities which will give exposure to four different maturities of both ICE Future’s Brent and NYMEX’s WTI oil futures contracts. All Oil Securities provide a total return and therefore their price will be affected by any contango or backwardation in the relevant section of the oil futures curve and by any collateral yield paid.

Oil Securities will be priced directly off the oil futures market, using daily settlement prices for the designated contracts for each class of Oil Security. All Oil Securities will be priced and settled in US Dollars. Oil Securities have been designed to enable 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, and to buy and sell that exposure through the trading of a security on the London Stock Exchange.

Each Oil Security is backed by equivalent Oil Contracts purchased by the Issuer from Shell Trading Switzerland and/or other Oil Major Companies pursuant to the terms of an Oil Purchase Agreement. By the Letter of Credit, Shell Treasury has agreed to provide credit support in favour of the Issuer in respect of the obligations of Shell Trading Switzerland to make payments due upon redemption of Oil Contracts purchased from Shell Trading Switzerland under the Oil Purchase Agreement. The Issuer is a special purpose company owned and administered by ETF Securities Limited.

In order to provide liquidity and ensure minimal tracking error, Oil Securities can be applied for or redeemed at any time by Authorised Participants (subject to Creation and Redemption Limits). However all other investors must buy and sell Oil Securities through trading on the London Stock Exchange (or other exchanges if Oil Securities are listed or traded thereon).

The Issuer is not acting in association with any Authorised Participants in connection with any offer of any class of Oil Securities by Authorised Participants to prospective investors. Accordingly, prospective investors may not have recourse against the Issuer in respect of information in this Prospectus.

## Programme for the Issue of

### OIL SECURITIES

ETFs Oil Securities Limited has established a programme under which Oil Securities, in the form of eight classes of Oil Securities, may be issued from time to time. ETFs Oil Securities Limited reserves the right to increase the number of Oil Securities that may be issued and to issue Oil Securities of each class in any proportions. ETFs Oil Securities Limited may issue Oil Securities to the extent that it has made suitable arrangements to allow it to meet its repayment obligations. At the date of this document ETFs Oil Securities Limited has such arrangements in place to enable it to issue Oil Securities having an Entitlement of up to 20,000,000 in respect of each of Brent 1mth Oil Securities and WTI 2mth Oil Securities, 10,000,000 in respect of each of Brent 1yr Oil Securities and WTI 1yr Oil Securities, 7,500,000 in respect of each of Brent 2yr Oil Securities and WTI 2yr Oil Securities and 2,000,000 in respect of each of Brent 3yr Oil Securities and WTI 3yr Oil Securities. Whenever any Oil Securities are to be issued, notice of the number and class of such Oil Securities will be specified in the relevant Pricing Supplement which will be delivered to the UK Listing Authority before such Oil Securities are issued. Terms used in this Prospectus bear the meanings given to them under the heading "Definitions" herein.

The Oil Securities are constituted by a Trust Instrument (as amended) between ETFs Oil Securities Limited and The Law Debenture Trust Corporation p.l.c. as trustee for the Security Holders of each class.

Under Security Deeds between the Trustee and the Issuer with respect to each class of Oil Securities, the Issuer has granted to the Trustee as trustee for the holders of each class of Oil Securities security over the Oil Purchase Agreement and any future such agreement to be entered into to the extent applicable to the relevant class of Oil Securities, and all Oil Contracts for the relevant class entered into pursuant to such Oil Purchase Agreement.

**The Oil Securities confer no right to oil and the Issuer has only unsecured claims against each Oil Major Company for the full amount of the Oil Contracts of the relevant class sold by that Oil Major Company.** The Issuer has entered into an Oil Purchase Agreement with Shell Trading Switzerland for the purposes of the Oil Securities and may enter into additional or other such agreements with one or more other Oil Major Companies.

A copy of this document, which comprises a base Prospectus relating to the Oil Securities of each class in compliance with Article 3 of Directive 2003/71/EC and the Prospectus rules made under sections 73A and 84 of the Financial Services and Markets Act 2000, has been filed with the FSA and made available to the public at the Registered Office of the Issuer in accordance with Article 14 of Directive 2003/71/EC and rule PR 3.2 of those Prospectus rules. The Oil Securities of each class will be available to be issued on a continuing basis during the period of 12 months from the date of this document.

The Brent 1mth Oil Securities and the WTI 2mth Oil Securities are admitted to trading on the Domestic Market of the London Stock Exchange (a regulated market). Application has been made to the UK Listing Authority for all Oil Securities issued within 12 months of this document to be admitted to the Official List and to the London Stock Exchange for such securities to be admitted to trading on the Domestic Market of the London Stock Exchange (a regulated market).

The Brent 1mth Oil Securities and the WTI 2mth Oil Securities are also listed or traded on certain other markets — see "Passporting" in Part 6 (*The Programme*) and paragraph 13 of Part 10 (*Additional Information*).

Applications for Oil Securities may only be made as referred to in this document and only by Authorised Participants. A Security Holder who is an Authorised Participant (but not other Security Holders) may at any time elect to have part or all of its Oil Securities redeemed by lodging a Redemption Notice subject to and on the terms of the Oil Securities and as referred to in this document.

**An investment in Oil Securities involves a significant degree of risk. In addition to the other information contained in this document the risk factors contained in the section headed "Risk Factors" herein should be carefully considered by prospective investors before**

**deciding whether to invest in Oil Securities. It should be remembered that the price of securities can go down as well as up.**

**The Oil Securities are intended for professional or institutional investors. Oil Securities are not intended for anyone else.** If you are in any doubt about the contents of this document, you are recommended to seek your own personal financial advice from an appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000.

Purchasers of Oil Securities should conduct such independent investigation and analysis regarding the Issuer, the security arrangements and the Oil Securities as they deem appropriate to evaluate the merits and risks of an investment in the Oil Securities. Purchasers of Oil Securities should have sufficient knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in this Prospectus and the relevant Pricing Supplement (if any) and the merits and risks of investing in the Oil Securities in the context of their financial position and circumstances. The risk factors and investment considerations identified in this Prospectus are provided as general information only, and the Issuer, the Authorised Participants and the Oil Major Companies disclaim any responsibility to advise purchasers of Oil Securities of the risks and investment considerations associated therewith as they may exist at the date hereof or as they may from time to time alter.

If the net proceeds of the enforcement of the relevant Secured Property for a Pool are not sufficient to make all payments then due in respect of Oil Securities relating to that Pool and the claims of the other secured creditors of such Pool, the obligations of the Issuer will be limited to such net proceeds, and the other assets of the Issuer will not be available to meet any shortfall. The Issuer will not be obliged to make any payment in excess of such net proceeds and no debt shall be owed by the Issuer in respect of such shortfall.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

As at the date of this Prospectus, the Issuer has entered into arrangements with one Oil Major Company only — Shell Trading Switzerland.

Neither Shell Trading Switzerland nor Shell Treasury has separately verified the information contained in this Prospectus. No representation, warranty or undertaking, express or implied is made, and no responsibility or liability is accepted by Shell Trading Switzerland or Shell Treasury as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Oil Securities or their distribution. Each person receiving this Prospectus acknowledges that (i) such person has not relied on Shell Trading Switzerland or Shell Treasury, nor on any person affiliated with either of them in connection with its investment decision or its investigation of the accuracy of the information contained herein; (ii) the Oil Securities are direct, limited recourse obligations of the Issuer alone and not obligations of Shell Trading Switzerland, Shell Treasury or any member of the Shell Group; and (iii) the obligations of the Issuer under the Oil Securities are not guaranteed by Shell Trading Switzerland, Shell Treasury or any member of the Shell Group. None of the Issuer, the Trustee, the Authorised Participants and the Security Holders are, by virtue of any activities of any member of the Shell Group in connection with Oil Contracts, clients or customers of any member of the Shell Group for the purpose of the FSA Handbook.

Since the Oil Securities are secured on assets which constitute obligations of five or fewer obligors, the Issuer is required under the Prospectus Rules to include in this Prospectus so far as it is aware or is able to ascertain from information published by Shell Trading Switzerland or Shell Treasury, such information relating to Shell Trading Switzerland and Shell Treasury as is required by Annex VIII of the Prospectus Regulations (Regulation Number 809/2004/EC). The Issuer has included the information in Part 9 (including the financial statements of Shell Treasury and Shell Trading Switzerland at the end of this document) based upon information made available to it by Shell Trading Switzerland and Shell Treasury. The Issuer confirms that such information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by Shell Treasury or Shell Trading Switzerland (as the case may be), no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has not made any independent verification of information contained in this Prospectus relating to the business

and financial standing of Shell Trading Switzerland, Shell Treasury, or any other member of the Shell Group. Shell Trading Switzerland and Shell Treasury have undertaken to the Issuer that they will promptly notify the Issuer of any new developments in their respective business or financial position or prospects (and which are not public knowledge) which may significantly affect their ability to meet their respective obligations under the Oil Purchase Agreement, Oil Contracts issued or issuable under the Oil Purchase Agreement and/or the Letter of Credit (as the case may be). Save to the extent information is provided to the Issuer by Shell Trading Switzerland or Shell Treasury, the Issuer may not be in a position to update such information and accordingly does not represent that the information contained in this Prospectus relating to Shell Trading Switzerland and Shell Treasury is accurate as of any date subsequent to the date hereof. Neither Shell Trading Switzerland nor Shell Treasury accepts any responsibility to investors (a) for the information contained in this document or (b) for updating such information.

The arrangements entered into by Shell Trading Switzerland and Shell Treasury with the Issuer in relation to the Oil Contracts do not preclude or restrict the ability of Shell Trading Switzerland, Shell Treasury or any member of the Shell Group from entering into any contracts or entering into any transactions with the Issuer, any Authorised Participant or any other person in the ordinary course of its business or otherwise. In addition, members of the Shell Group trade in oil markets and may do so whether or not such trading could have an adverse effect on the creation, redemption or market price of Oil Securities.

**The Oil Securities are undated securities and have no specified maturity date. The Oil Securities do not bear interest.**

The Authorised Participants have not separately verified the information contained in this Prospectus. None of the Authorised Participants makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or for the suitability of Oil Securities for any investor. Neither this Prospectus nor any financial statements or any other information is intended to provide the basis of any credit or other evaluation of the Issuer or any Oil Major Company and should not be considered as a recommendation by the Issuer or the Authorised Participants that any recipient of this Prospectus or any financial statements or any other information should purchase the Oil Securities. Each potential purchaser of Oil Securities should determine for itself the relevance of the information contained in this Prospectus in relation to its purchase of Oil Securities (with such advice as it considers appropriate) and should base its decision to invest upon such investigation as it deems necessary. None of the Authorised Participants undertakes to review the financial condition or affairs of the Issuer or the Oil Major Companies during the life of the Programme nor to advise any investor or potential investor in the Oil Securities of any information coming to the attention of any of the Authorised Participants.

Neither this Prospectus nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Oil Securities and should not be considered as a recommendation by the Issuer, the Authorised Participants, Shell Trading Switzerland or Shell Treasury or any of them that any recipient of this Prospectus or any Pricing Supplement should subscribe or purchase any Oil Securities. Each person contemplating making an investment in the Oil Securities must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Oil Securities should consult its independent professional advisers. The distribution of the Prospectus and the offering, sale and delivery of Oil Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Oil Securities and on the distribution of this Prospectus, see paragraph 3 of Part 10 (*Additional Information*).

The Oil Securities have not been and will not be registered under the United States Securities Act of 1933 as amended (the "**Securities Act**"), or under the securities laws of any states of the United States. Except in a transaction exempt from the registration requirements of the Securities Act and applicable United States securities laws, the Oil Securities may not be directly or indirectly offered, sold, taken up, delivered or transferred in or into the United States. The Issuer has not registered, and does not intend to register, as an investment company under the United States Investment Company

Act of 1940 (the “**Investment Company Act**”). Accordingly, the Oil Securities may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, any US Person (as defined in Regulation S under the Securities Act) (a “**US Person**”). The Oil Securities offered and sold outside the United States are being offered to persons who are not US Persons in reliance upon Regulation S under the Securities Act. Each of the Authorised Participants has, pursuant to its Authorised Participant Agreement with the Issuer, undertaken not to offer or sell the Oil Securities within the United States or to any US Person, nor will it engage in any “directed selling efforts” (as such term is defined by Regulation S under the Securities Act) with respect to the Oil Securities.

None of the Brent-referenced Oil Securities are sponsored, endorsed, sold or promoted by ICE Futures. ICE Futures makes no representation or warranty, express or implied, to the owners of the Brent-referenced Oil Securities, or any member of the public, or any party to whom Brent-referenced Oil Securities might be marketed, regarding the advisability of investing in securities generally or Brent-referenced Oil Securities particularly. ICE Futures is not responsible for and has not participated in the determination of the timing of, prices of, or quantities of Brent-referenced Oil Securities to be issued or any calculation contained within this document. ICE Futures has no obligation or liability in connection with the administration, marketing, or trading of the Brent-referenced Oil Securities. ICE Futures has no involvement with and accepts no responsibility for the Brent-referenced Oil Securities.

NYMEX (i) does not in any way participate in the offering, sale, sponsorship, promotion or administration of WTI-referenced Oil Securities or any payments to be made in respect of any of the WTI-referenced Oil Securities; (ii) does not in any way ensure the accuracy of any of the statements made in this document or any supplementary Prospectus; (iii) is not liable for any error or omission in any settlement price used in connection with the WTI-referenced Oil Securities; and (iv) is not in any way an offeror of WTI-referenced Oil Securities. NYMEX makes no representation or warranty, express or implied, to the owners of the WTI-referenced Oil Securities, any member of the public, or any party to whom WTI-referenced Oil Securities might be marketed, regarding the advisability of investing in securities generally or WTI-referenced Oil Securities particularly. NYMEX is not responsible for and has not participated in the determination of the timing of, prices of, or quantities of WTI-referenced Oil Securities to be issued or any calculation contained within this document. NYMEX has no obligation or liability in connection with the administration, marketing, or trading of the WTI-referenced Oil Securities. All references to oil prices derived from NYMEX are used with the permission of NYMEX and NYMEX has no involvement with and accepts no responsibility for the WTI-referenced Oil Securities.

A copy of this document has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to the circulation of this document. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958, to the Issuer to issue from time to time the Oil Securities. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law. It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

Nothing in this document or otherwise communicated to holders or potential holders of the Oil Securities or other obligations by the Issuer is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for the Oil Securities or the exercise of any rights attached thereto for the purposes of the Jersey Financial Services (Jersey) Law 1998, as amended.

If at any time the Issuer is required to prepare a supplementary Prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000, the Issuer will either prepare and make available an appropriate amendment or supplement to this document which will constitute a supplementary Prospectus as required by Section 87G of the Financial Services and Markets Act 2000 or prepare and make available a further base Prospectus in compliance with Article 3 of Directive 2003/71/EC and the Prospectus rules made under sections 73A and 84 of the Financial Services and Markets Act 2000.

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## SUMMARY

*This summary is written in generalised terms and does not discuss various exceptions to the general statements which are mentioned elsewhere in the Prospectus. Terms used in this summary bear the same meanings as in the Prospectus. References to “Parts” are Parts of the Prospectus. This summary should be read as an introduction to the Prospectus and any decision to invest in the Oil Securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in a Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.*

ETFS Oil Securities Limited (the Issuer) has established a programme under which eight classes of Oil Securities may be issued from time to time, each tracking different oil futures prices as described below. Oil Securities enable 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, and to buy and sell that interest through the trading of a security on the London Stock Exchange. Oil Securities are designed to give investors a “total return”, similar to that which could be achieved from a fully paid/collateralised investment in oil futures contracts. However, no trading or management of futures contracts is required of the Issuer, as it will purchase matching Oil Contracts from Shell Trading Switzerland and other Oil Major Companies.

### **The Crude Oil and Oil Futures Market**

World oil production is currently approximately 82.0 million barrels per day, much of which is priced relative to two well-known benchmarks — Brent futures contracts traded on the ICE Futures Market in London and WTI futures contracts traded on NYMEX in New York.

Both Brent Contracts and the WTI Contracts are quoted for various delivery dates going out a number of years, with the price of each contract varying with maturity. This is called the forward curve and the prices of futures contracts generally decreases or increases the further out the delivery date. As the time to delivery decreases each day, futures investors wishing to maintain an exposure with a constant maturity on the Oil forward curve would need to regularly “roll” their position to a later dated contract, which involves selling the contract they hold and investing the proceeds in the later-dated contract.

### **Oil Securities**

Oil Securities are financial instruments designed to track the price of oil futures of various maturities and to give investors a “total return” similar to that which an investor could achieve by managing a fully paid/collateralised position in futures contracts of the relevant maturity. However, unlike managing a futures position, Oil Securities involve no rolling, margin calls, expiry or futures brokerage.

The Price of an Oil Security is calculated as at the end of each Pricing Day for the purposes of Creations and Redemptions. It is calculated for each class of Oil Security in US Dollars as:

$$\text{Price} = \{(\text{Near Contract Price} \times \text{Near Entitlement}) + (\text{Next Contract Price} \times \text{Next Entitlement})\} \times \text{Multiplier}$$

The Near Contract and Next Contract for Brent 1mth Oil Securities and WTI 2mth Oil Securities are consecutive monthly contracts near the front end of the curve. For all other Oil Securities, the Near Contracts and Next Contracts are the first year and second year, second year and third year, and third year and fourth year December month contracts.

The Near Entitlement and Next Entitlement are the weights applied to the Near Contract and Next Contract respectively. During each Roll Period the weights roll from the Near Entitlement to the Next Entitlement in accordance with the formulae set out herein. In that process, if the Near Contract price is higher than the Next Contract price (i.e. that part of the forward curve is in backwardation) then the Entitlement will increase, whereas if the opposite is true (the curve is in contango) the Entitlement will decrease.

The Multiplier is adjusted on each Daily Adjustment Day by the Daily Adjustment which will increase at an annualised rate equal to the Other Adjustment (Weekly LIBOR less 1.0 per cent. per annum) less the Management Expenses of 0.49 per cent. per annum.

The Price of each class of Oil Security (and the Near Contract Price, the Next Contract Price, Near Entitlement, Next Entitlement and Multiplier for each class of Oil Security) will be calculated by the Issuer as at the end of each Pricing Day (after the Settlement Prices for that day have been published) and posted on the Issuer's website at <http://www.eftsecurities.com/osl>.

### **Trading of Oil Securities**

All Oil Securities in issue at the date of this document are admitted to trading on the Domestic Market of the London Stock Exchange (a regulated market) and it is the Issuer's intention that all Oil Securities issued after the date of this document are so admitted to trading.

Brent 1mth Oil Securities and WTI 2mth 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. Brent 1mth Oil Securities and WTI 2mth Oil Securities have also been admitted to trading on the Official Market (*Amtlicher Markt*) of the Frankfurt Stock Exchange since 30 October 2006, the Eurolist of Euronext Paris SA since 12 February 2007 and the ETFplus market of the Borsa Italiana since 20 April 2007.

No application has been or is currently being made for the New Securities to be admitted to listing or trading on any exchange or market outside the UK but the Issuer may cause such application to be made in respect of the New Securities of any or all classes on any such exchanges or markets in its discretion.

### **Oil Contracts**

Oil Securities are backed by Oil Contracts with corresponding terms and each time an Oil Security is created or redeemed a matching amount of Oil Contracts is purchased or redeemed by the Issuer.

Oil Contracts will be purchased from one or more Oil Major Companies. An Oil Major Company is a company which is either: a member of any of the six western oil majors (Shell, Exxon Mobil, BP, Total, Chevron and Eni), 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. However, the aggregate amount of Oil Contracts which may be purchased from such latter companies must be less than half the aggregate number of Oil Contracts in any Pool.

The Issuer has entered into agreements with certain members of the Shell Group enabling the Issuer to purchase and redeem Oil Contracts on a continuous basis. Under such agreements there are limits, both daily and in aggregate, on the number of Oil Contracts (and therefore on the creation or redemption of corresponding Oil Securities) that can be created or cancelled at any time. The limits are set out under the heading "Authorised Participants — Creation and Redemption Limits" in Part 4 (*Description of the Oil Securities*).

The Oil Purchase Agreement with Shell Trading Switzerland has an initial term of 7 years (from July 2005), although Shell have the right to terminate earlier if the amount of Oil Contracts outstanding in any three-month period is less than US\$300 million in 2008 or less than US\$500 million in 2009.

The Issuer is a special purpose company whose only assets are the Oil Contracts and so the ability of the Issuer to meet its obligations on Oil Securities will be wholly dependent on its receipt of payments under Oil Contracts from Oil Major Companies. Neither Oil Securities nor any payments in respect thereof are guaranteed by any Oil Major Company.

The Issuer will hold separate pools of assets for each class of securities so that holders of a particular class of Oil Security will only have recourse to security granted by the Issuer over the Oil Contracts of that same class. These Pools are secured in favour of the Trustee on behalf of Security Holders.

### **Creations and Redemptions by Authorised Participants**

To ensure liquidity and to minimise tracking error, Oil Securities can be created or redeemed on a daily basis by Authorised Participants only (unless there are no Authorised Participants) — all other parties must buy and sell Oil Securities through trading on the London Stock Exchange or any other exchange or market on which they are admitted to trading.

At the date of this document there are seven Authorised Participants (Citigroup Global Markets Limited, Fortis Bank Global Clearing N.V., Morgan Stanley & Co. International Limited, UBS AG, London Branch, Bayerische Hypo- und Vereinsbank AG, Barclays Capital Securities Limited

and ABN-AMRO Bank N.V., London Branch). Additional Authorised Participants may be introduced in due course.

Creations and Redemptions of each class of Oil Security are each subject to both daily limits and total aggregate limits, to match the limits on Oil Contracts mentioned above.

There is no spread between the Creation Price and the Redemption Price. A single Price will be established for each class of Oil Security in issue as at the end of each Trading Day. Creations and redemptions priced on day T will be settled on a T+3 basis. Payments for creations and redemptions will be made on a delivery versus payment basis directly between the relevant Authorised Participant and Oil Major Company.

The Issuer will decline Applications if it cannot for any reason purchase corresponding Oil Contracts from an Oil Major Company.

### **Directors and Management**

The parent of the Issuer, ETF Securities Limited (ETFSL), supplies, or arranges the supply of, all management and administration services to the Issuer and pays all the management and administration costs of the Issuer, in return for which the Issuer pays ETFSL Management Expenses of 0.49 per cent. per annum based on the value of all Oil Securities outstanding. This amount is reflected in the Daily Adjustment which is applied to the Multiplier.

### **Investment Considerations and Risk Factors**

The impact of the level of and movement in oil futures prices on the Price of the Oil Securities, including the effect of backwardation or contango, will vary with each class of Oil Security. Generally, Oil Securities with a shorter maturity have greater exposure to movements in the oil price and also greater exposure to backwardation or contango. As a result, the Brent 1mth Oil Securities and WTI 2mth Oil Securities had the greatest volatility in Price, Near Entitlement, Next Entitlement, Near Contract Price and Next Contract Price. For Oil Securities with a higher maturity, the frequency of backwardation increased and thus the frequency of contango decreased. Over the past nine and a half years, all seven Oil Securities with available data increased in Price on average by between 19.9 per cent. per annum for WTI 3yr Oil Securities and 25.2 per cent. per annum for Brent 2yr Oil Securities. The historical simulated performance of the Oil Securities of each class is set out in Part 3 (*Simulated Historical Returns*).

Past performance is not an indication of expected performance and the investment performance of an Oil Security could be volatile.

An investment in Oil Securities involves a significant degree of risk. The following are just some of the risk factors which should be carefully considered by prospective investors before deciding whether to invest in Oil Securities:

- The price of crude oil and hence of Oil Securities may fluctuate widely. As Oil Securities are priced in US Dollars their value in other currencies will also be affected by exchange rate movements.
- The Entitlement of an Oil Security will decline during Roll Periods if the relevant part of the forward curve is in contango. As at the date of this summary the forward curves for Brent 1mth Oil Contracts, Brent 1yr Oil Contracts, WTI 2mth Oil Contracts and WTI 1yr Oil Contracts have been in contango for the past 2 years. However, as of July 2007 the forward curves for Brent 1mth Oil Contracts, Brent 1yr Oil Contracts, WTI 2mth Oil Contracts and WTI 1yr Oil Contracts are in backwardation.
- The New Securities are referenced off longer-dated oil futures and will generally be less liquid and price changes could be prone to volatility.
- Trading in oil takes place on several markets (including futures exchanges and over-the-counter (OTC) around the world and trading on these markets may have an impact on the price of oil on other markets.
- Investors are dependent on the Authorised Participants making a market in Oil Securities in order to minimise tracking error and to provide investors with liquidity.

- The ability of the Issuer to pay on redemption of Oil Securities is wholly dependent on it receiving payment from the relevant Oil Major Company. No Oil Major Company has guaranteed the performance of the Issuer's obligations and no holder has any direct rights of enforcement against any such person.
- The main credit support for the Oil Contracts with Shell Trading Switzerland is from Shell Treasury, which company does not have a credit rating and is not a company used by the Shell Group to issue debt or other securities in the financial markets. Furthermore, that company may be substituted for another credit provider from within the Shell Group.
- There are certain circumstances in which an early redemption of Oil Securities may be imposed on investors, which may result in an investment in Oil Securities being redeemed earlier than desired.

See "Risk Factors" in the Prospectus.

### **Security Arrangements**

Oil Securities constitute limited recourse obligations of the Issuer, as more particularly described in Part 7 (*Particulars of the Oil Securities*) of the Prospectus.

The Oil Purchase Agreement, the Authorised Participant Agreements, the Oil Contracts and all rights of the Issuer in relation to the Letter of Credit, to the extent applicable to each class of Oil Security, are the subject of security granted by the Issuer in favour of the Trustee under the Security Deeds. The security arrangements are described in greater detail in Part 7 (*Particulars of the Oil Securities*) of the Prospectus.

## RISK FACTORS

*An investment in Oil Securities involves a significant degree of risk. Prior to making an investment decision, prospective purchasers should carefully read the entire Prospectus. In addition to the other information contained in this document, the following risk factors, which are not intended to be exhaustive and are not presented in any order of priority, should be carefully considered by prospective investors before deciding whether to invest in Oil Securities.*

*Prospective Security Holders should obtain their own independent accounting, tax and legal advice and should consult their own professional investment advisers to ascertain the suitability of Oil Securities as an investment, and should conduct such independent investigation and analysis regarding the risks, security arrangements and cash-flows associated with the Oil Securities, as they deem appropriate, in order to evaluate the merits and risks of an investment in Oil Securities. In particular, prospective Security Holders should note that the Oil Securities are intended only for professional investors and that an investment in Oil Securities is only suitable for persons who are able to bear the economic risk of an investment in Oil Securities for an indefinite period of time. Prospective Security Holders should be aware that their entire investment in Oil Securities may be lost.*

### **Oil Price, Near Contract Price and Next Contract Price**

The value of Oil Securities will be affected by movements in the Near Contract Price and Next Contract Price, which will be affected by crude oil prices generally and by the way in which those prices and other factors affect the price of the relevant oil futures contracts.

Crude oil prices fluctuate widely and may be affected by numerous factors, including:

- global or regional political, economic or financial events and situations, particularly war and other activities which might lead to disruptions to supply from countries that are major oil producers. Such events could also cause trading on the relevant Exchanges to be disrupted, which may prevent Oil Securities from operating normally for such period;
- the weather, which can affect short-term demand;
- investors' expectations with respect to the future rates of economic activity and inflation, particularly in countries which are major consumers of oil;
- global and local oil supply, which can be influenced by factors such as disruptions to production, embargoes and major discoveries of new oil fields;
- a large portion of the world's spare capacity and oil reserves is controlled by a small number of producers (i.e. by the members of The Organization of the Petroleum Exporting Countries (OPEC)). OPEC production quotas, meetings and other producer organisations' activities may seek to influence the supply and pricing of oil;
- global and local oil demand, which can be influenced by factors such as economic activity in countries that are significant users of oil, the availability and price of substitutes to oil and its end uses (heating and transport fuels); and
- investment and trading activities of hedge funds, commodity funds and other speculators and the investment, trading and hedging activities of oil producers and oil users.

Prices of the relevant near-term oil futures contracts also fluctuate widely and may be affected by:

- crude oil prices generally;
- trading activities on the relevant Exchange, which might be impacted by the liquidity in the futures contracts, particularly the liquidity of the relevant futures contracts;
- trading in oil takes place on several markets (including futures exchanges and over-the-counter (OTC)) around the world and trading on these markets may have an impact on the price of oil on other markets; and
- trading activity specific to the particular oil futures contract.

### **Backwardation and Contango**

The value of an Oil Security will be affected by the term structure or shape of the relevant part of the oil futures curve used to price that security. The crude oil futures markets have on average been in

backwardation since their inception in 1983 (for NYMEX) and 1988 (for the ICE Futures Market) however recently the front end of the curve (up to one year out) was in contango. Backwardation or contango for each class of Oil Security will be reflected in a change to the Entitlement of each class of Oil Security and it is possible that different parts of the oil curve can be in backwardation while others in contango (as is the current case). Backwardation will result in the Entitlement of the relevant class of Oil Security increasing (being a benefit to investors) while contango will result in the Entitlement decreasing (representing a cost to investors). Contango or backwardation could last for an indeterminate period of time, and in the case of contango could accordingly reduce the value of a holder's investment.

The simulated historical returns for Oil Securities (shown in Part 3 (*Simulated Historical Returns*) under the heading "Simulated Historical Investment Returns") show that during the past ten years there have been two to three extended periods of contango at the front end of the curve and during those contango periods the value of the Entitlement for Brent 1mth Oil Securities and WTI 2mth Oil Securities would have fallen by approximately 1.1 per cent. and 1.1 per cent. per month respectively. Further out along the forward curve, contango has had less of an impact but the benefit of backwardation has also been less.

**As at the date of this Prospectus the forward curves for Brent 1mth Oil Contracts, Brent 1yr Oil Contracts, WTI 2mth Oil Contracts and WTI 1yr Oil Contracts are in backwardation which would increase the Entitlement of the Oil Securities referable to those contracts. However, the forward curves for the aforementioned contracts have been in contango for the past two years up until July 2007.**

### **Currency**

The Prices of Oil Securities will be set in US Dollars. To the extent that a Security Holder values Oil Securities in another currency, that value will be affected by changes in the exchange rate between the US Dollar and that other currency.

### **Tracking Error and Liquidity Risk**

At any time, the prices at which the Oil Securities trade on the London Stock Exchange or other exchanges may not reflect accurately the Price of Oil Securities. The procedures agreed between the Issuer and the Authorised Participants for creations and redemptions of Oil Securities, including the role of Authorised Participants as market-makers, are an attempt to minimise this difference or "tracking error". However, this risk cannot be eliminated since the market price of Oil Securities will be a function of supply and demand amongst investors wishing to buy and sell Oil Securities and the bid/offer spread that market-makers are willing to quote for Oil Securities.

Initially, Shell Trading Switzerland has agreed to supply up to such number of Oil Contracts as have an aggregate Entitlement equal to 20,000,000 in respect of each of Brent 1mth Oil Securities and WTI 2mth Oil Securities, 10,000,000 in respect of each of Brent 1yr Oil Securities and WTI 1yr Oil Securities, 7,500,000 in respect of each of Brent 2yr Oil Securities and WTI 2yr Oil Securities, 2,000,000 in respect of each of Brent 3yr Oil Securities and WTI 3yr Oil Securities. If demand for Oil Securities exceeds this initial amount and the Issuer is not able to source more Oil Contracts, then Oil Securities may begin to trade at a premium to their underlying value (the Redemption Price). Investors who pay a premium risk losing the premium if demand for Oil Securities abates or the Issuer is able to source more Oil Contracts.

Oil Securities could trade at a discount to the Redemption Price if the Issuer has received redemption requests in excess of the relevant daily limit set out in Part 4 (*Description of the Oil Securities*) under the heading "Creation and Redemption Limits".

Oil Securities are relatively new securities: Brent 1mth Oil Securities were first issued in July 2005 and WTI 2mth Oil Securities were first issued in May 2006 and they have only a limited trading record, and the New Securities are being issued for the first time pursuant to this Prospectus. There can be no assurance as to the depth of the secondary market (if any) in the Oil Securities, which will affect their liquidity and market price.

### **Futures Position**

Oil Securities are designed to give investors an exposure similar (excluding costs) to that which an investor could achieve by managing a fully paid/collateralised position in oil futures contracts. Despite

providing a similar exposure, it is important to note that an Oil Security is not a futures contract. In addition, the Oil Securities confer no right to buy or sell physical oil.

### **Oil Major Company Credit Risk and Default**

The value of Oil Securities and the ability of the Issuer to repay the Redemption Price is dependent on the receipt of such amount from the relevant Oil Major Company and may be affected by the deterioration of the credit and/or a downgrade in the credit rating of an Oil Major Company. Such deterioration/downgrade in the credit or credit rating of an Oil Major Company could cause Oil Securities to trade at a discount to the Redemption Price.

The obligations of the Oil Major Companies under the Oil Contracts (in support of the Oil Securities), are expected to rank only as an unsecured claim against the Oil Major Company or entity within that Oil Major Company's group which supplies the credit support. This is the case with the Oil Contracts from Shell Trading Switzerland, the credit support for which is provided by Shell Treasury and in the event of an Oil Company Default relating to Shell Trading Switzerland, the Issuer will have only unsecured claims against Shell Trading Switzerland and Shell Treasury. Oil Contracts provided by Shell Trading Switzerland and the obligations of Shell Treasury under the Letter of Credit are not guaranteed by any other entity within the Shell Group. There can be no assurance that Shell Trading Switzerland, Shell Treasury and any Substitute Credit Provider will be able to fulfil their payment obligations under the relevant Oil Contracts, Oil Purchase Agreement and Letter of Credit (as the case may be).

If at any given time there are two or more Oil Major Companies and one of them, the Lower Credit, has its credit rating downgraded or has defaulted on its obligations to redeem Oil Contracts, then, under the Pool splitting mechanism discussed in Part 4 (*Description of the Oil Securities*) under "Consolidation and Division of Oil Securities", the Issuer can separate out the Lower Credit by issuing to the relevant Security Holders new Oil Securities supported only by the Oil Contracts of the Lower Credit. There can be no assurance that the Issuer will be able to redeem such new Oil Securities at their Redemption Price or even at all, and such new Oil Securities may not be admitted to trading on any exchange.

The Issuer will not operate any risk-spreading policies and may have Oil Contracts outstanding with only one Oil Major Company. Initially, the Issuer has an Oil Purchase Agreement only with Shell Trading Switzerland. The obligations of any other such Oil Major Company will not be supported by Shell Treasury's Letter of Credit.

Under the Business Development Agreement referred to under the heading "Business Development Agreement" in Part 5 (*Description of the Oil Purchase Agreement and the Oil Contracts*), the Issuer is subject to certain restrictions affecting its freedom to enter into an Oil Purchase Agreement with other Oil Major Companies for a period of at least three years from July 2007 and is subject to other restrictions affecting its freedom to purchase Oil Contracts from any additional Oil Major company for a period of at least seven years from July 2005.

### **Shell Trading Switzerland**

The financial statements of Shell Trading Switzerland are prepared in accordance with Swiss statutory accounting law as prescribed by the Swiss Code of Obligations (the "Swiss Statutory Accounting Rules"). These accounting rules differ in significant respects from International Financial Reporting Standards (IFRS), which are the standards that are applied in the consolidated financial statements prepared by Royal Dutch Shell PLC, the parent company of the Shell Group of which Shell Trading Switzerland is a wholly owned subsidiary. Shell Trading Switzerland itself is not required to and does not produce its own consolidated financial statements. It should therefore be recognised that there are significant differences between the financial information contained in the financial statements of Shell Trading Switzerland and the consolidated financial statements of the Shell Group, which differences may be attributable to differences between the applicable Swiss Statutory Accounting Rules and IFRS, the effects of consolidation on the financial statements of the Shell Group or other factors. For a discussion of significant differences between the Swiss Statutory Accounting Rules and IFRS, see "Summary of Significant Differences between Swiss Statutory Accounting Rules and International Financial Reporting Standards (IFRS)". Investors should, however, be particularly aware that the Swiss Statutory Accounting Rules do not contain an equivalent requirement to the IFRS obligation for financial statements to provide a true and fair view of the relevant company's financial position.

Consequently, the financial statements should not be read in isolation without awareness of the particular requirements of the Swiss Statutory Accounting Rules.

### **Shell Treasury**

Whilst Shell Treasury is the initial Credit Provider, it should be noted that Shell Treasury is not the main operating company in the Shell Group of companies and does not currently possess a credit rating. Furthermore, under the terms of the Letter of Credit issued by Shell Treasury, there are no restrictions on the future business operations or activities of Shell Treasury, and, accordingly, the ability of Shell Treasury to meet its obligations under the Letter of Credit may be adversely affected depending on such future business operations or activities.

### **Trading by Shell Group, other Oil Major Companies and Authorised Participants in the Oil Market**

Members of the Shell Group are active traders in the oil market, in the physical market, the futures market (on both the ICE Futures Market and NYMEX) and the over-the-counter market, including trading of options and other derivatives. Shell Group's trading is of a magnitude which can have an impact on the market, including the prices of various futures contracts. Furthermore, other Oil Major Companies and associates of the Authorised Participants also trade in various sectors of the oil market. Such trading could, at times, affect the Near Contract Price, Next Contract Price or the Entitlement of Oil Securities of any class.

In addition, these trading activities and the activities with regard to the oil market, Oil Securities and Oil Contracts may create interests of the Shell Group, other Oil Major Companies or the Authorised Participants and their associates, which are potentially opposite to the interests of Security Holders.

### **Market Disruption**

Futures exchanges have the potential to suffer from market disruption, due to trading failures at the exchange or the imposition of volume or price restrictions. Such events could cause a Trading Day to be classified as a Market Disruption Day resulting in it not being possible to price one or more classes of Oil Securities that day. This will cause a delay in the creation or redemption process which could adversely affect potential or existing Security Holders. Furthermore, under the terms of the Oil Purchase Agreement with Shell Trading Switzerland, a Market Disruption Day in respect of a relevant Exchange will be any Trading Day upon which any one or more of the following occurs:

- (a) the relevant Exchange fails to determine, announce or publish the relevant Settlement Price(s), (or announces that it will or expects to fail to do so) by midnight on that Trading Day; and/or
- (b) in the case of Brent-referenced Oil Securities, there being no Pricing Window for any Relevant Month Brent Contract on the relevant Exchange during that Trading Day; or
- (c) in the case of WTI-referenced Oil Securities, NYMEX fails to announce or publish the time at which the final two minutes of trading during a regular trading hours session in a Relevant Month WTI Contract will take place before the occurrence of the final two minutes; or
- (d) in the case of WTI-referenced Oil Securities, NYMEX announces or publishes on a Trading Day that the Settlement Prices in respect of WTI Contracts in respect of that Trading Day shall not be determined in accordance with, or pursuant to, NYMEX Rule 6.52(A).

### **Limited Operating History and Management Experience**

As both ETFSL and the Issuer are recently incorporated companies, they have a limited trading record. Some of the directors and management of ETFSL and the Issuer have had experience in establishing and operating companies offering similar types of exchange-traded products, including securities issued by Gold Bullion Securities Limited, ETFS Commodity Securities Limited and ETFS Metal Securities Limited. The management of ETFSL and the Issuer thus has limited experience of products of this type. If it transpires that the experience of ETFSL, the Issuer and their respective management is neither adequate nor suitable to manage the Issuer, then the operations of the Issuer may be adversely affected.

### **Only Authorised Participants have the right to Create and Redeem Oil Securities**

Only Authorised Participants are permitted to deal with the Issuer in creating or redeeming Oil Securities, save in relation to redemptions where at any given time there are no Authorised Participants. The Issuer has agreed to use reasonable endeavours to ensure that at all times there

are at least two Authorised Participants. There can, however, be no assurance that there will at all times be an Authorised Participant to deal with the Issuer in creating and redeeming Oil Securities. If the Authorised Participant Agreements are terminated for any reason that may be prejudicial to the ability of investors to sell Oil Securities, or sell them at a price close to the relevant Price, or sell them within a short time period.

### **Early Redemption of Oil Securities**

The Issuer may, at any time, upon 30 days' notice (or seven days' notice in the event the Oil Purchase Agreement is terminated) to the Security Holders, redeem all of the Oil Securities of any class. The Trustee may, at any time, where an Insolvency Event or where an Oil Company Default has occurred and is continuing, upon 20 Business Days' notice to the Issuer, require the Issuer to redeem all of the Oil Securities relating to Oil Contracts of the defaulting Oil Major Company.

If over any three-month period the average aggregate value of Oil Contracts outstanding from Shell Trading Switzerland is less than US\$300 million in 2008 or less than US\$500 million in 2009, then, within 45 days following the end of any such period, Shell Trading Switzerland may elect by notice to redeem all of its Oil Contracts. On the occurrence of such an event, the Issuer will (unless it is able to source alternative replacement Oil Contracts) exercise its option to redeem the Oil Securities which correspond to those outstanding Oil Contracts. Thus, an investment in the Oil Securities may be redeemed earlier than desired by a Security Holder. As at 17 July 2007 the aggregate value of outstanding Oil Contracts was US\$186 million.

Shell Trading Switzerland has only agreed to provide Oil Contracts to the Issuer for approximately five more years from the date of this Prospectus. If Shell Trading Switzerland or another Oil Major Company does not agree to provide Oil Contracts beyond that period, then the Oil Contracts will expire and the Issuer will elect to redeem the outstanding Oil Securities.

### **Change to Pricing Parameters**

The Pricing Parameters described herein are subject to change by the Issuer (as described in Part 4 (*Description of the Oil Securities*) under the heading "Changes to Pricing Parameters"). The result of such a change to a Pricing Parameter may be such that any given Security Holder's investment in Oil Securities ceases to track the value of oil futures contracts in the manner in which such Security Holder had planned when investing in such Oil Securities. Such a Security Holder may, accordingly, be forced to request the redemption of its Oil Securities earlier than such Security Holder, but for the change in Pricing Parameters, would have desired.

### **General Market Risk**

General movements in local and international markets and factors that affect the investment climate and investor sentiment could all affect the level of trading and, therefore, the market price of Oil Securities. These risks are generally applicable to any investment in listed securities and investors should be aware that Oil Securities can go down in price as well as up.

### **No Recourse Except to the Issuer**

The Oil Securities are obligations solely of the Issuer. In particular, the Oil Securities will not be obligations or responsibilities of, or guaranteed by, the Trustee, the Registrar, any Oil Major Company, any direct or indirect shareholder of the Issuer or any of the Authorised Participants. The Issuer is a special purpose company established for the purpose of issuing the Oil Securities, and is not expected to have any business operations, assets or rights other than as expressly stated in this document.

If the net proceeds of realisation of the security constituted by the relevant Security Deed upon enforcement and the provisions of such Security Deed are less than the aggregate amount payable in such circumstances by the Issuer in respect of the Oil Securities of the relevant class (such negative amount being a "shortfall"), the obligations of the Issuer in respect of the Oil Securities of that class will be limited to the net proceeds of realisation of the security constituted by such Security Deed. In such circumstances the assets (if any) of the Issuer, other than those attributable to the relevant Pool, will not be available for payment of such shortfall and the rights of the Security Holders of that class to receive any further amounts in respect of such obligations will be extinguished and none of the Security Holders of the relevant class or the Trustee may take any further action to recover such amounts.

Any claims made against the Issuer will be satisfied in order of the priority of payments in accordance with the Trust Instrument, further details of which are set out in Part 7 (*Particulars of the Oil Securities*) under the heading “The Conditions — Enforcement — Application of Moneys”.

#### **No Guarantee**

No Oil Major Company or any other person has guaranteed the performance of the Issuer's obligations, and no Security Holder has any direct rights of enforcement against any such person. However, the Trustee on behalf of the Security Holders may enforce the rights of the Issuer under the Oil Contracts, the Oil Purchase Agreement and any Letter of Credit in case of Oil Company Default.

#### **No Representation**

None of the Issuer, the Authorised Participants, the Oil Major Companies or the Trustee makes any representations as to (i) the suitability of any Oil Securities for any particular investor; (ii) the appropriate accounting treatment or possible tax consequences of an investment in any Oil Securities; or (iii) the expected performance of any Oil Securities, either in absolute terms or relative to competing investments.

#### **Limited Enforcement Rights**

The Trustee is only required to enforce the Security on behalf of a Security Holder if it is directed to do so:

- (a) by a Security Holder to whom a Defaulted Obligation is owed; or
- (b) if an Insolvency Event or Oil Company Default has occurred and is continuing, by (i) Security Holders holding not less than 25 per cent. of Oil Securities of the relevant class then outstanding or (ii) an Extraordinary Resolution of the relevant class,

in each case provided that the Trustee is indemnified and/or secured to its satisfaction.

#### **Possible Non-Listing of Oil Securities on the Official List**

Whilst not currently anticipated by the Issuer, the Issuer cannot rule out the possibility that certain oil securities issued by the Issuer may be unlisted securities, including in the event that the Issuer separates out a Lower Credit (in accordance with the splitting mechanism discussed in Part 4 (*Description of the Oil Securities*) under the heading “Consolidation and Division of Oil Securities”) by issuing to the relevant Security Holders new oil securities supported only by Oil Contracts of the Lower Credit, and such new oil securities cannot be listed on the Official List of the UK Listing Authority.

In such event, there may be an adverse impact on the liquidity of such unlisted oil securities held by a Security Holder and on such Security Holder's ability to trade such unlisted oil securities on the secondary market.

**The Issuer believes that the risks described above are the principal risks inherent in the Programme. However, the inability of the Issuer to pay the Redemption Price and the decrease in the value of Oil Securities, may occur for other reasons, and the Issuer does not represent that the above statements of the risks of holding Oil Securities are exhaustive.**

## PART 1

### GENERAL

#### Introduction and Parties to the Programme

The Issuer has created and issued two existing classes of Oil Securities, now referred to as Brent 1mth Oil Securities and WTI 2mth Oil Securities, and is now making available for issue six further classes of Oil Securities, of varying maturities along the forward curve.

Two futures market pricing benchmarks are being used: Brent crude oil based on the ICE Futures' Brent Contracts and West Texas Intermediate crude oil based on the New York Mercantile Exchange's WTI Contracts.

The table below illustrates the different classes of Oil Security that are available for issue and indicates the applicable maturity on the forward curve:

<b>Class of Oil Security</b>	<b>Forward Prices Used</b>
Brent 1mth	first and second month contracts
WTI 2mth	second and third month contracts
Brent 1yr and WTI 1yr	first and second December contracts
Brent 2yr and WTI 2yr	second and third December contracts
Brent 3yr and WTI 3yr	third and fourth December contracts

The Oil Securities are secured on corresponding Oil Contracts purchased by the Issuer from Shell Trading Switzerland and/or other Oil Major Companies pursuant to the terms of an Oil Purchase Agreement. By the Letter of Credit, Shell Treasury has agreed to provide credit support in favour of the Issuer in respect of the obligations of Shell Trading Switzerland to make payments due upon redemption of Oil Contracts purchased from Shell Trading Switzerland under the Oil Purchase Agreement. Details as to the ownership of, and relationship between, Shell Trading Switzerland and Shell Treasury are set out in Part 9 (*Particulars of Shell Trading Switzerland and Shell Treasury*). The Issuer is a special purpose company established for the purpose of issuing the Oil Securities, and whose only assets attributable to the Oil Securities are the Oil Contracts and related contractual rights and whose liabilities are primarily the Issuer's obligations under the Oil Securities. The Issuer is a wholly owned subsidiary of ETFSL, and is neither directly nor indirectly owned or controlled by any other party to the Programme. The Oil Securities are constituted by a Trust Instrument between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee for the Security Holders of each class and are secured by the Security Deeds, as set out in Part 7 (*Particulars of the Oil Securities*) under the heading "The Security Deeds".

Additional Oil Securities can be created and existing Oil Securities can be redeemed at any time, subject to certain conditions, by Authorised Participants at the Price which is calculated as at the end of each Pricing Day. Oil Securities may be redeemed by a Security Holder who is not an Authorised Participant only in the event that, on any given Redemption Date, there are no Authorised Participants.

Management and administration services are supplied to the Issuer by its parent company, ETFSL. Further details as to the ownership of, and relationship between, the Issuer and ETFSL, and the services to be provided by ETFSL, are set out under the headings, "The Issuer and ETFSL" and "Management and Administration" below. Computershare Investor Services (Channel Islands) Limited has been appointed to provide services as registrar and receiving agent and maintains the Register in Jersey.

#### General Description of Oil Securities

Oil Securities have been designed to enable 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, and to buy and sell that exposure through the trading of a security on the London Stock Exchange or any other exchange or market on which they are admitted to trading.

Oil Securities give investors an exposure which is similar to that which an investor could achieve by managing a fully paid/collateralised unleveraged position in oil futures contracts, without the need to manage any such futures position. Oil Securities involve no margin calls and no requirement to roll from one futures contract to the next, and no brokerage or other fees are incurred when rolling. All of

the exposure is obtained through the terms of Oil Securities, which (unlike futures contracts) do not expire.

The Issuer achieves a matching exposure by holding corresponding Oil Contracts purchased from one or more Oil Major Companies, which also do not require any management by the Issuer of futures positions.

Oil Securities are designed to give investors the following:

- exposure to the price of oil through different oil futures contracts and maturities;
- exposure to a “total return”, comprising:
  - changes in the price of the relevant oil futures contracts
  - a roll yield from backwardation or contango in the relevant futures market when rolling plus
  - a collateral return through the Daily Adjustment (equivalent to an interest return net of all fees), at a rate announced each week in advance;
- an exposure which is unleveraged and which changes directly with changes in the oil price, both up and down;
- a choice of exposure to different maturities along the forward curve;
- pricing which is transparent, using end of day Settlement Prices; and
- a security traded on the London Stock Exchange and certain other stock exchanges.

Oil Securities confer no right to receive physical oil. Rather, they are purely financial instruments.

### **Pricing and Trading of Oil Securities**

Oil Securities will be priced directly off the futures market, using the daily settlement prices for the designated contracts for each class of Oil Security. All securities will be priced and settled in US Dollars. A Price will be calculated by the Issuer for each class of Oil Security on each day that is a Pricing Day for that class.

Essentially, there are two types of pricing regime:

- Brent 1mth Oil Securities and WTI 2mth Oil Securities will be priced using front month contracts and will roll to the next contract each month over a five-day period. These securities are already in issue and will be priced using the existing methodology (although the formulae have been re-expressed to bring them into line with the formulae for the new securities); and
- The six new Oil Securities will be priced using December contracts only, of two different maturities straddling the nominal maturity for that security, and each month one-twelfth of the November weight will roll from the near December contract to the next December contract (as defined), thereby giving a broadly constant maturity exposure. Rolling will occur on the first and second Pricing Days of each month.

The pricing mechanism for Oil Securities is discussed in more detail in Part 4 (*Description of the Oil Securities*) under “Pricing of Oil Securities”.

The Issuer has applied to the UK Listing Authority for all of the Oil Securities to be issued within 12 months from the date of this document to be admitted to the Official List and to the London Stock Exchange for all of the Oil Securities to be admitted to trading on its Domestic Market. No application has been or is currently being made for the New Securities to be admitted to listing or trading on any exchange or market outside the UK but the Issuer may cause such application to be made in respect of the New Securities of any or all classes on any such exchanges or markets in its discretion.

In order to provide liquidity to investors and to minimise any tracking error, the Issuer hopes at all times to have one or more Authorised Participants making a market on the London Stock Exchange in some or all of the Oil Securities (or on other exchanges on which the Oil Securities or any of them may be listed or traded). Authorised Participants will have the right to effect applications or redemptions — see below under the heading “Creations and Redemptions” and Part 4 (*Description of the Oil Securities*) under the heading “Authorised Participants” for further details.

Each class of Oil Security traded on the London Stock Exchange may have different market-makers, bid/offer spreads and depth of liquidity.

## **Oil Contracts and Oil Purchase Agreement**

The liability of the Issuer to Security Holders upon redemption of Oil Securities will be secured by Oil Contracts with corresponding terms. Each time an Oil Security is issued or redeemed by an Authorised Participant (or redeemed by a Security Holder who is not an Authorised Participant, in the limited circumstances referred to herein), corresponding Oil Contracts will be created or cancelled by the Issuer.

As of the date of this Prospectus, the Issuer has entered into an Oil Purchase Agreement with Shell Trading Switzerland (as the provider of the Oil Contracts) and has the benefit of a Letter of Credit from Shell Treasury (as initial provider of credit support under the terms thereof), which are both subsidiaries of the Shell Group.

Under the terms of the Oil Purchase Agreement with Shell Trading Switzerland, the Issuer can create and cancel Oil Contracts on a continuous basis, subject to creation and redemption limits (and days not being Market Disruption Days) and certain other conditions. Further information on the Creation Limits and the Redemption Limit is set out below under the heading "Creations and Redemptions".

The Issuer may enter into Oil Purchase Agreement with other Oil Major Companies and, in such cases details of these agreements will be published by the Issuer in a supplementary Prospectus and/or supplementary listing particulars. Thereafter, the Issuer will disclose, in each Pricing Supplement, the number and class of Oil Contracts outstanding from each Oil Major Company with which the Issuer has an Oil Purchase Agreement in effect.

The Issuer is only permitted to create new Oil Securities if it purchases corresponding Oil Contracts from an Oil Major Company.

Further information on Oil Contracts, the Oil Purchase Agreement and the Letter of Credit are set out in Part 5 (*Description of the Oil Purchase Agreement and the Oil Contracts*).

Financial and other information relating to Shell Trading Switzerland and Shell Treasury is set out in Part 9 (*Particulars of Shell Trading Switzerland and Shell Treasury*).

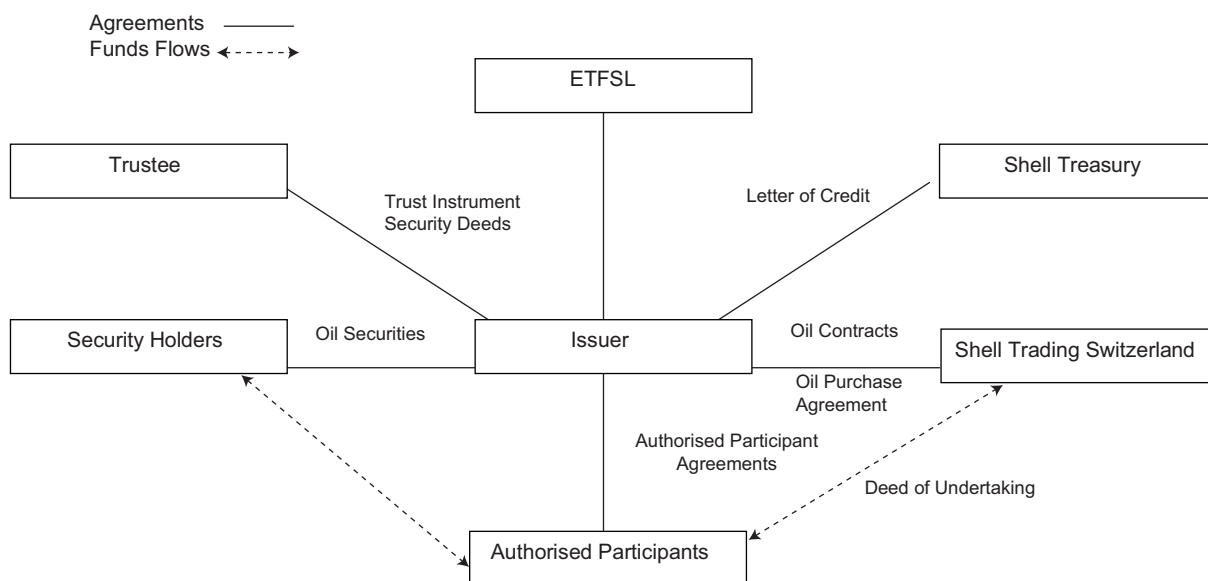
## **Contract Structure for Oil Securities**

Oil Securities are constituted by the Trust Instrument. Under the terms of the Trust Instrument, the Trustee acts as trustee for the Security Holders of each class of Oil Security.

The obligations of the Issuer in respect of each class of Oil Security are secured by a charge over the equivalent class of Oil Contracts held by the Issuer and over the rights of the Issuer in respect of those Oil Contracts under the Oil Purchase Agreement and the Letter of Credit.

## Simplified Structure

A diagrammatic representation of the principal aspects of the structure as currently in place appears below.



The Business Development Agreement between, *inter alios*, the Issuer, ETFSL, Shell Trading Switzerland and Shell Treasury is not shown.

## Calculation and Publication of Prices

The Near Entitlement, Next Entitlement, Multiplier, Near Contract Price and Next Contract Price and the Price for each class of Oil Security (as applicable) are calculated by the Issuer as at the end of each Pricing Day (after the Settlement Prices for that day have been published) and prior to trading in the Oil Securities commencing on the following Pricing Day on the London Stock Exchange. These Near Entitlements, Next Entitlements, Multipliers, Near Contract Prices, Next Contract Prices and Prices, together with the current Daily Adjustment and the relevant Settlement Prices, are posted on the Issuer's website at [www.ETFSecurities.com/osl](http://www.ETFSecurities.com/osl).

## Creations and Redemptions

Oil Securities can be created or redeemed at any time, subject to conditions, by the Issuer at the request of each of the Authorised Participants, in accordance with the terms of the Authorised Participant Agreement to which it is a party. The creation and redemption mechanism is intended to ensure that Oil Securities have sufficient liquidity and that the Price of an Oil Security tracks the price of oil futures in accordance with the pricing formulae. Only an Authorised Participant may require the Issuer to create or (unless there are at any given time no Authorised Participants) redeem Oil Securities — all other parties must buy and sell Oil Securities through trading on the secondary market.

Oil Securities can only be created or redeemed if corresponding Oil Contracts can be created or cancelled. There are limits on the creation and cancellation of Oil Contracts, which means that there are corresponding limits on the issue and redemption of Oil Securities.

## Creation and Redemption Limits

Under the Oil Purchase Agreement with Shell Trading Switzerland there are limits, both daily and in aggregate, on the number of relevant Oil Contracts (and therefore on the creation and redemption of corresponding Oil Securities) that can be created or cancelled at any time. Details of these limits are set out under the heading "Creation and Redemption Limits" in Part 4 (*Description of the Oil Securities*). The Issuer will reject Applications or Redemptions to the extent that the acceptance of such would cause the Creation Limits or Redemption Limit to be exceeded unless Shell agrees with the Issuer that corresponding Oil Contracts will be created or cancelled notwithstanding that the Creation Limits or Redemption Limit would be exceeded.

## **Authorised Participants**

The Issuer will use reasonable endeavours to ensure that at all times there are at least two Authorised Participants. However, to the extent that at any given time there are no Authorised Participants, Security Holders will be able to require the Issuer to redeem the Oil Securities held by them.

At the date of this document Citigroup Global Markets Limited, Fortis Bank Global Clearing N.V., Morgan Stanley & Co. International Limited, UBS AG, London Branch, Bayerische Hypo- und Vereinsbank AG, Barclays Capital Securities Limited and ABN-AMRO Bank N.V., London Branch are Authorised Participants. Additional Authorised Participants may be introduced in due course.

## **Payments for Creations and Redemptions**

All orders for the creation and redemption of Oil Securities and all purchases and sales of Oil Contracts taking place on the same Pricing Day will (unless otherwise agreed as described in Part 4 (*Description of the Oil Securities*)) be priced at the same price and will all be settled on the same day (on a T+3 basis).

Payment for creation of Oil Securities (and the corresponding creation of Oil Contracts) will be made directly from the relevant Authorised Participant(s) to Shell Trading Switzerland, and payment upon redemption of Oil Securities (and cancellation of the corresponding Oil Contracts) will (save where there are no Authorised Participants or in the case of compulsory redemptions) be made directly from Shell Trading Switzerland to the relevant Authorised Participant(s). Payments from or to Authorised Participants will be made via the CREST system on a delivery versus payment basis. In the case of compulsory redemptions and redemptions where there are no Authorised Participants, Shell Trading Switzerland will make payments to accounts of the Issuer secured for the benefit of the Security Holders of the relevant classes or to the Trustee for the benefit of such Security Holders.

Further details of the creation and redemption process are set out in Part 4 (*Description of the Oil Securities*) under the heading "Authorised Participants".

## **Security Structure**

A security structure has been established to provide security for the payment obligations of the Issuer to Security Holders upon redemption of Oil Securities.

The Issuer has been established as an "umbrella" or "multi-class" company with separate Pools of assets so that the Issuer can issue separate classes of securities, based on different prices or having some other different characteristics, but on terms that each such separate class of securities would have recourse only to the Pool attributable to that class and not to the assets attributable to any other class. The assets and liabilities attributable to each class of Oil Security will represent the Pool for that class.

Oil Securities are constituted under the Trust Instrument. The Trustee holds all rights and entitlements under the Trust Instrument on trust for the Security Holders.

In addition, the Issuer and the Trustee have entered into a separate Security Deed in respect of each Pool. The rights and entitlements held by the Trustee under each Security Deed are held by the Trustee on trust for the Security Holders of that particular class of Oil Security.

Under the terms of each Security Deed, the Issuer has assigned to the Trustee by way of security the contractual rights of the Issuer relating to such class under the Oil Purchase Agreement, and granted a first-ranking floating charge in favour of the Trustee over all of the Issuer's rights in relation to the Secured Property attributable to the applicable Pool, including, but not limited to, its rights under the Oil Purchase Agreement, Oil Contracts of that class and the Issuer's rights under the Letter of Credit.

If the amounts received from the relevant Secured Property are insufficient to make payment of all amounts due in respect of the relevant Pool, no other assets of the Issuer shall be available to meet that shortfall and all further claims of the holders in respect of such class of Oil Security will be extinguished.

Under the terms of the Trust Instrument, it is agreed that the Security Holders, or the Trustee on their behalf, will not, in relation to Oil Securities, institute against, or join any person in instituting against, the Issuer any bankruptcy, suspension of payments, moratorium of any indebtedness, winding-up, re-organisation, arrangement, insolvency or liquidation proceeding or other proceeding under any similar law (except for the appointment of a receiver and manager pursuant to the relevant Security Deed) for

two years (or, if later, the longest suspense period, preference period or similar period (howsoever described) ending with the onset of insolvency in respect of which transactions entered into by the Issuer within such period may be subject to challenge under applicable insolvency or other proceeding) plus one day after the date on which all amounts payable for all outstanding Oil Securities issued by the Issuer are repaid.

Further details of the Trust Instrument and Security Deeds are set out in Part 7 (*Particulars of the Oil Securities*).

### **The Issuer and ETFSL**

The Issuer is a public company incorporated in Jersey for the purpose of creating and issuing Oil Securities and entering into the Documents and agreements relating to other classes of oil securities.

The shares in the Issuer are all held by ETFSL, a company incorporated in Jersey to act as the holding company and manager of the Issuer. The Issuer is neither directly nor indirectly owned or controlled by any other party to the Programme. The Issuer is dependant upon ETFSL to provide management and administration services to it, as further described below under the heading "Management and Administration". ETFSL intends to promote and to provide management and other services to the Issuer and other companies issuing commodity-based securities and currently also provides such services to ETFS Commodities Securities Limited and ETFS Metal Securities Limited.

The Issuer is a special purpose company established for the purpose of issuing the Oil Securities, and whose only assets attributable to the Oil Securities of each class are the Oil Contracts in respect of that class and its rights and under the Oil Purchase Agreement and the Letter of Credit to the extent attributable to that class and whose liabilities are primarily the Issuer's obligations under the Oil Securities.

The directors of the Issuer and ETFSL are the same, and their respective descriptions are set out below under the heading "Directors and Secretary".

### **Management and Administration**

Pursuant to the Service Agreement, ETFSL supplies or arranges the supply of all management and administration services for the Issuer and pays all the management and administration costs of the Issuer.

ETFSL may engage third parties to provide some or all of these services. In particular, ETFSL has entered into a corporate administration agreement under which (as amended) R&H Fund Services (Jersey) Limited has agreed to perform certain administration duties for the Issuer, and Computershare Investor Services (Channel Islands) Limited has been appointed to provide services as Registrar and receiving agent, and will maintain the Registers in Jersey.

The Service Agreement may be terminated by ETFSL at any time on three months' notice or earlier in the event of certain breaches or the insolvency of either party.

### **Management Expenses**

In return for ETFSL supplying to the Issuer, or arranging for the supply to it, of all management and administration services, the Issuer pays ETFSL the Management Expenses of 0.49 per cent. per annum (based on the aggregate Price of all Oil Securities outstanding). The Management Expenses are reflected by the application of the Daily Adjustment to the Multiplier on Oil Securities and Oil Contracts. Each Oil Major Company pays the Issuer an amount equal to the Management Expenses, reflecting the benefit to them of the Multiplier on their Oil Contracts being adjusted by such amount. The Issuer is only liable to pay the Management Expenses to the extent it has received any such payment from an Oil Major Company. In certain circumstances, under the Oil Purchase Agreement the Management Expenses may be amended or not payable, and in such event the Daily Adjustment will be varied accordingly.

### **Directors and Secretary**

The Directors and the secretary of the Issuer (and of ETFSL) at the date of this document are:

### **Graham Tuckwell — Chairman**

Mr Tuckwell is the founder and chairman of Gold Bullion Securities Limited in Jersey and Gold Bullion Securities Limited in Australia, which companies obtained the world's first listings of a commodity on a stock exchange. He is also founder and chairman of two other companies issuing exchange-traded commodities, ETFS Commodity Securities Limited and ETFS Metal Securities Limited. Assets under management in those four companies are in excess of US\$3,000 million. Previously, Mr Tuckwell was the founder and managing director of Investor Resources Limited, a boutique corporate advisory firm, which specialised 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 the above activities, 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 Leanne Baker — Non-Executive Director**

Dr Baker is managing director of Investor Resources LLC, a US-based corporate advisory firm that provides financial, investment banking and investor relations expertise to the natural resources industry. She holds her required US 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 is a non-executive director of ETFS Metal Securities Limited and ETFS Commodity Securities Limited and also serves on the boards of directors of Agnico-Eagle Mines Ltd., US 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.

### **Ben Cukier — Non-Executive Director**

Mr Cukier is a Member of Financial Technology Management II, L.L.C. 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. He is also a non-executive director of ETFS Metal Securities Limited and ETFS Commodity Securities Limited. Mr Cukier received his BS and BA from the University of Pennsylvania and an MBA from Stanford.

### **Dr Vince FitzGerald — Non-Executive Director**

Dr FitzGerald is Chairman of The Allen Consulting Group Pty Ltd, an Australian consulting company in 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 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, ETFS Metal Securities Limited and of ETFS Commodity Securities Limited 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**

Mr Ross graduated from Abertay University 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 the Issuer in Jersey and of both ETFS Metal Securities Limited and ETFS Commodity Securities Limited (he is a non-executive director of all three of those companies and of Gold Bullion Securities Limited in Jersey).

#### **Craig Stewart — Non-Executive Director**

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. Mr Stewart is also a director of Computershare Investor Services (Channel Islands) Limited and a non-executive director of Gold Bullion Securities Limited in Jersey, ETFS Metal Securities Limited and ETFS Commodity Securities Limited.

#### **R&H Fund Services (Jersey) Limited — Company Secretary**

R&H Fund Services (Jersey) Limited is a company incorporated in Jersey on 29 November 1988 with limited liability whose issued and paid up share capital is £25,000. It is not involved in any other business activities other than that of acting as manager and administrator of collective investment schemes and is a wholly owned subsidiary of Rawlinson & Hunter, Chartered Accountants in Jersey. The directors of R&H Fund Services (Jersey) Limited are:

Graeme David Ross  
Martin Willaume Richardson  
Angus Spencer-Nairn  
Craig Andrew Stewart  
David Gustave Goar

#### **Conflicts of Interest**

All the Directors of the Issuer are also directors of ETFSL, a provider of services to the Issuer. Messrs Ross and Stewart are also directors of the Registrar and of the company secretary. While these roles could potentially lead to conflicts of interest the Directors do not believe there are any actual or potential conflicts of interest between the duties which the directors and/or members of the administrative, management and supervisory bodies of the Issuer owe to the Issuer, and the private interests and/or other duties which they have.

Save as specifically stated in relation to Mr Tuckwell and Mr Ross, save (in each case) for their directorships of ETFSL and save (in the cases of Mr Tuckwell, Dr FitzGerald, Mr Ross and Mr Stewart) for their directorships of Gold Bullion Securities Limited (Jersey), none of the principal activities performed by the Directors outside the Issuer are significant with respect to the Issuer and they have no interests that are material to the Programme.

#### **Further information**

Information regarding United Kingdom, Jersey, Dutch, German, French and Italian taxation in respect of the Programme and the Oil Securities is set out in Part 10 (*Additional Information*). If any prospective investor is in any doubt about the tax position, it should consult a professional adviser.

Your attention is drawn to the remainder of this document which contains further information relating to the Programme and the Oil Securities.

## PART 2

### CRUDE OIL & FUTURES MARKETS

#### Overview

According to the International Energy Annual, published by the Energy Information Administration (EIA), over the past several decades oil has been the world's foremost source of primary energy consumption. North America has the highest global consumption of oil per capita at approximately 2.8 gallons per capita per day compared to the world average of 0.5 gallons per capita per day. Crude oil prices are influenced by a complex interaction of underlying supply and demand factors, political dynamics and increasingly developed spot, term and futures trading. Many varieties of crude oil are produced around the world, each with their own price; the characteristics of each variety depend largely on the particular crude oil's geological history. Because there are so many varieties, crude oils are priced and traded relative to well known benchmarks (called Markers). Two of these benchmarks dominate world crude oil futures trading, namely ICE Futures Brent Crude Future Contracts, traded in London on the ICE Futures Market, and West Texas Intermediate (WTI) — Light Sweet Crude Oil Futures, traded on the New York Mercantile Exchange (NYMEX). Oil futures have increased in importance over the past decades with total ICE Futures Market and NYMEX futures volumes increasing over four fold in the last ten years. Futures trading is important to many physical commodities because they help set international commodity prices (price discovery) and they help to reconcile supply and demand.

#### Oil Supply and Demand

World oil production is currently approximately 82 million barrels per day and has averaged approximately 78.9 million barrels per day (Mbl/day) over the past five years to 31 December 2006 and has grown at approximately 2 per cent. per annum over that period. A significant portion of this production, 40 per cent. over the past ten years, has come from the Organization of the Petroleum Exporting Countries (OPEC).

The OPEC organisation, which was formed in 1960 and currently has 12 member countries, is the world's largest supplier of oil. OPEC crude oil production, which is concentrated mainly around the Middle East, has largely remained between 25 and 35 Mbl/day over the past ten years. The largest OPEC producer is Saudi Arabia with production of 11 Mbl/day in 2006. The other large OPEC producers are Iran, Iraq, Nigeria, United Arab Emirates and Venezuela. Although OPEC countries produce approximately 40 per cent. of total world oil production, the organisation's influence is enhanced by the fact that non-OPEC oil-producing countries are currently at their full capacity output levels, with about 3.0 Mbl/day of surplus capacity left in total mainly in OPEC countries and in Saudi Arabia in particular.

	Oil Production (Thousand Barrels/Day)					Oil Reserves (Billion Barrels)				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Nth America	14,069	14,193	14,137	13,695	13,700	65	62	61	61	60
Sth & Cen America	6,619	6,314	6,680	6,897	6,881	100	100	103	103	103
Europe & Eurasia	16,281	16,965	17,570	17,533	17,563	136	140	141	145	144
Middle East	21,642	23,395	24,764	25,352	25,589	729	734	738	743	743
Africa	8,001	8,398	9,263	9,846	9,990	102	112	114	117	117
Asia Pacific	7,884	7,791	7,829	7,926	7,941	41	41	40	41	41
<b>TOTAL WORLD</b>	<b>74,496</b>	<b>77,056</b>	<b>80,244</b>	<b>81,250</b>	<b>81,663</b>	<b>1,173</b>	<b>1,189</b>	<b>1,197</b>	<b>1,210</b>	<b>1,208</b>
OPEC	29,936	31,746	34,151	35,301	35,611	891	900	906	915	915
OPEC (%)	40%	41%	43%	43%	44%	76%	76%	76%	76%	76%

Source: BP Statistical Review of World Energy June 2007

Whilst production levels affect current oil supply, oil reserves affect future oil supply. OPEC is again a significant factor because it controls the world's excess oil production (i.e. it has most of the world's spare capacity), and as at 31 December 2006 it had 76 per cent. of the world's proven crude oil reserves, which stood at approximately 1.2 trillion barrels. At current levels of world demand for oil — approximately 82 Mbl/day — proven reserves are sufficient to last another 40 years. This estimate assumes that current oil production and recovery rates remain constant.

According to the International Energy Outlook 2006, over the past twenty years, oil has provided approximately 39 per cent. of the world's energy with natural gas and coal providing approximately 25 per cent. each. The EIA expects oil's share of world energy will remain in the range of 33 per cent. to 39 per cent. despite expectations that countries in many parts of the world will be switching from oil to natural gas and other fuels for their electricity generation.

Demand for crude oil products tends to be seasonal. The extent of highs and lows for some products is determined primarily by two factors — weather and world economic activity.

	Oil Consumption (Thousand Barrels/Day)				
	2002	2003	2004	2005	2006
North America	23,665	24,050	24,898	25,023	24,783
South & Central America	4,892	4,725	4,826	5,006	5,152
Europe & Eurasia	19,726	19,905	20,132	20,314	20,482
Middle East	5,047	5,238	5,492	5,712	5,923
Africa	2,510	2,567	2,645	2,731	2,790
Asia Pacific	21,898	22,674	23,905	24,294	24,589
<b>TOTAL WORLD</b>	<b>77,737</b>	<b>79,158</b>	<b>81,898</b>	<b>83,080</b>	<b>83,719</b>

Source: BP Statistical Review of World Energy June 2007

North America has the highest global consumption of oil per capita at approximately 2.8 gallons per capita per day compared to the world average of 0.5 gallons per capita per day. Western Europe and Asia Pacific are also large consumers of oil. These three areas, North America, Asia Pacific and Western Europe, make up approximately 83 per cent. of the world's oil consumption.

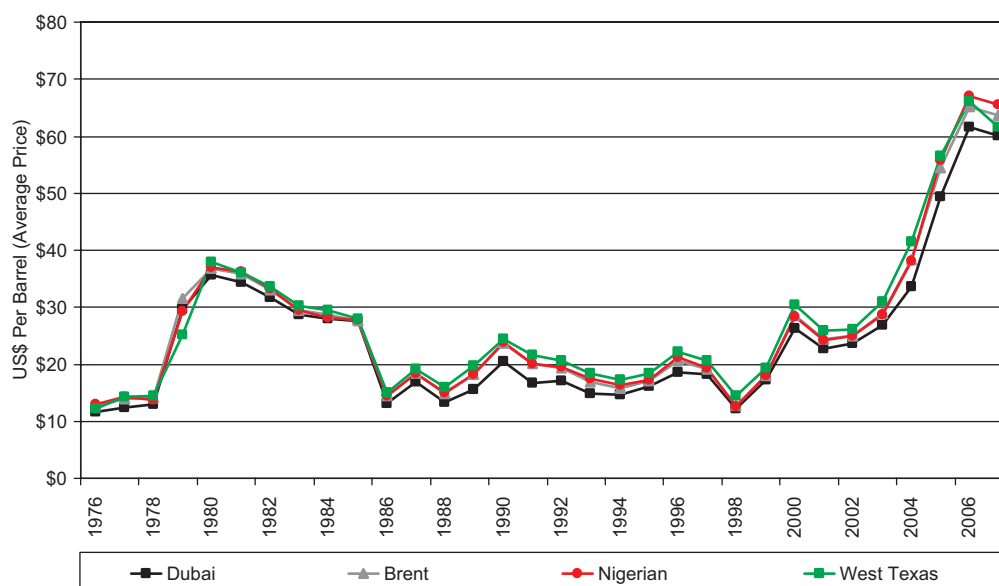
## Oil Prices

Crude oil prices are influenced by a complex interaction of underlying supply and demand factors, political dynamics and increasingly developed spot, term and futures trading. Therefore, these prices tend to be highly volatile. The behaviour of the OPEC organisation is often the key to price developments in the world crude oil market.

Crude oil can be priced, bought and sold anywhere along its supply chain from the wellhead through the transportation period to the refinery. The end buyer is usually a refinery but crude oil can be bought and on-sold many times by oil traders and intermediaries before the crude oil reaches the refinery.

There are many varieties of crude oil, each with their own price. The characteristics of each variety depend largely on the particular crude oil's geological history. As no two varieties of crude oils are the same, the pricing and marketing of crude oil from a particular field is determined by an analysis of the type and quality of the crude, which will involve testing of the fractions to indicate the quality and quantity of the products contained in the sample. The varieties of crude oil are generally priced in relation to what is regarded as a marker crude, which is a representative type for a particular region. The main criteria for a marker crude is for it to be sold in sufficient volumes to provide liquidity (many buyers and sellers) in the physical market as well as having similar physical qualities as alternative crudes. However, different crude prices have historically had a high degree of correlation as can be seen in the chart below which shows the prices of four different crude oils from 1976 to 2007. The two most well known benchmark types of crude oil are West Texas Intermediate (WTI) and Brent.

### Average Annual Oil Price (1976 to June 2007)



Data source: BP Statistical Review of World Energy 2007, Bloomberg

### Oil Futures

Until the late 1970s, almost 90 per cent. of the world's crude oil was sold under long-term contracts at prices set by the major oil companies. OPEC produced 67 per cent. of the free world's crude oil, allowing it to dominate the price and quantity of oil sold. Prices fluctuated when these long-term contracts were revised, but prices were not otherwise particularly responsive to market conditions. Then, in the late 1970s and early 1980s, market-based spot and then futures trading gained in importance as production from the non-OPEC countries surpassed OPEC oil production. Owners of the newer oil, from areas such as the North Sea, lacked the typical long-term contracts with buyers, forcing them to find other ways to build market share. They were able to achieve this objective on the spot markets by undercutting OPEC. By the end of 1982, almost half of all internationally-traded oil was traded on the spot market instead of through long-term contracts. With prices now determined on a very short-term basis, daily fluctuations in the price of oil became the norm. In order to hedge against fluctuations in the oil price, participants began using oil futures.

The NYMEX WTI Crude Oil futures contract is the most heavily traded commodities contract in the world, while the ICE Futures Brent oil futures contract is used to price over 65 per cent. of the world's traded crude oil. Contracts traded on NYMEX specify WTI crude for delivery by pipeline in the town of Cushing, Oklahoma, although the exchange's rules allow for the delivery of six other types of US domestic crude against the WTI contract. Trade in Brent futures contracts (for pipeline-delivered Brent Blend supplied at the Sullom Voe terminal in the North Sea) was launched on the International Petroleum Exchange (now the ICE Futures Market) in London in June 1988. In the past few years, ICE Futures launched WTI oil future contracts and NYMEX launched Brent oil future contracts, however, the pre-existing contracts still experience the greatest trading volumes.

A futures contract is a form of standardised forward contract, a contract to buy or sell an asset at a pre-agreed future point in time. The standardisation usually involves specifying the following terms:

- the amount and units of the underlying asset to be traded — each Brent or WTI crude oil futures contract is for 1,000 barrels (42,000 gallons)
- the unit of currency in which the contract is quoted — for example, US\$/barrel
- the grade of the oil and also the manner and location of delivery — for example, the NYMEX WTI contract allows the following deliverable grades: specific domestic crudes with 0.42 per cent. sulphur by weight or less, not less than 37° API gravity nor more than 42° API gravity. The following domestic crude streams are deliverable: West Texas Intermediate (WTI), Low Sweet Mix, New Mexican Sweet, North Texas Sweet, Oklahoma Sweet, and South Texas Sweet.

- the expiry date of the contract for the WTI crude oil contract, trading currently terminates at the close of business on the third business day prior to the 25th calendar day of the month preceding the delivery month. For the Brent crude oil contract, trading currently generally ceases at the close of business on the business day immediately preceding the fifteenth day prior to the first day of the delivery month. Crude oil futures trade 30 consecutive months plus long-dated futures initially listed yearly or half-yearly up to seven years prior to delivery.

The Brent crude oil futures contract is traded in London on the ICE Futures Market. It is Europe's leading energy futures and options exchange. The ICE Futures Brent crude futures contract is part of the Brent pricing complex, which also includes spot and forward markets and is used to price over 65 per cent. of the world's traded crude oil. 44.4 million ICE Futures Brent oil futures contracts were traded in 2006, up 46 per cent. on the previous year. This was equivalent to 44.4 billion barrels of oil, or approximately 177 million barrels of oil per trading day. The ICE Futures Market is regulated in the UK by the Financial Services Authority (FSA) as a recognised investment exchange (RIE) under Part XVIII of the Financial Services and Markets Act 2000 (FSMA).

The WTI crude oil futures contract is traded on the New York Mercantile Exchange, Inc (NYMEX). NYMEX is the world's largest physical commodity futures exchange and pioneered the development of energy futures and options contracts approximately 28 years ago. Trading is conducted through two divisions, the NYMEX Division, home to the energy, platinum, and palladium markets; and the COMEX Division, on which all other metals trade. 71.0 million NYMEX WTI crude oil futures contracts were traded in 2006, up 18.3 per cent. on the previous year. This was equivalent to 71.0 billion barrels of oil, or approximately 283 million barrels per trading day.

Total trading volumes for crude oil futures contracts have increased at least four fold over the last ten years. For both the WTI and Brent contracts approximately 75 per cent. of the daily volume traded is in the first two nearest contracts. For longer dated contracts, the most liquid contracts are the December month contracts where volumes in the December month contract are greater than the following eleven months combined. In addition, as maturity increases, the volume of each December contract falls. The table below shows the 100-day average daily volume in US Dollars of the Near Contracts and Next Contracts for each class of Oil Security.

**Average Daily Volume (US\$ million)**

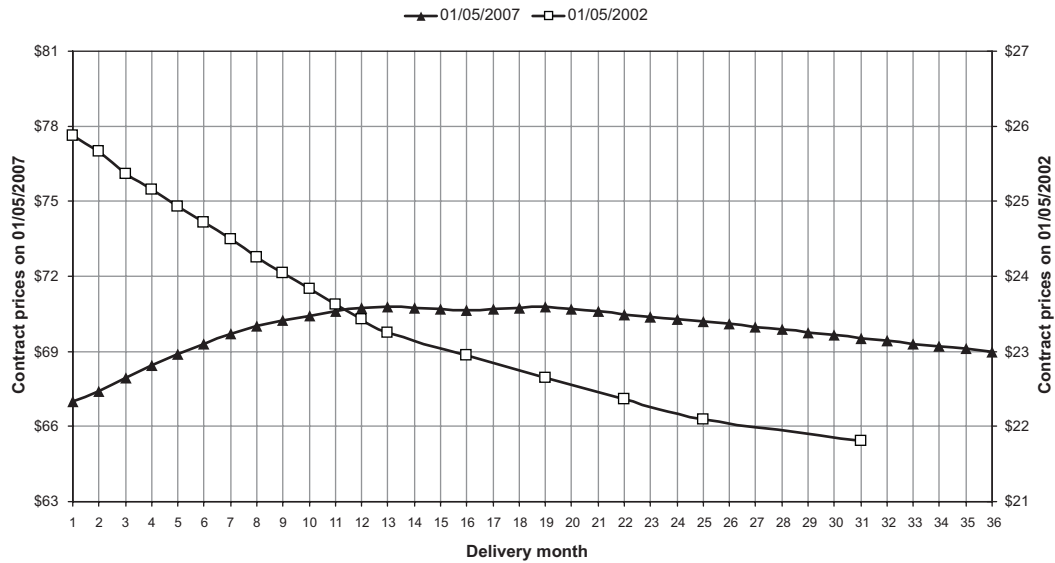
	Brent Futures		WTI Futures	
	Near Contract (in respect of relevant Oil Securities)	Next Contract (in respect of relevant Oil Securities)	Near Contract (in respect of relevant Oil Securities)	Next Contract (in respect of relevant Oil Securities)
Front months	\$6,256	\$3,709	\$4,781	\$1,508
1 year	\$765	\$269	\$1,089	\$492
2 years	\$269	\$66	\$492	\$140
3 years	\$66	\$41	\$140	\$66

*Notes: data source is Bloomberg, Data to 31 May 2007. All amounts are notional US\$ million. Note that the front months relates to the Near and Next Contracts for the Brent 1mth and WTI 2mth Oil Securities. Near Contract for ETFS Brent 1mth is 1st and 2nd month and for ETFS WTI 2mth is 2nd and 3rd month*

### Term Structure of Oil Futures

Futures contracts have a pre-determined delivery date and (in the case of exchange-traded contracts) a date on which trading ceases. For most commodities, the price of futures contracts will vary with each different future delivery date, generally decreasing or increasing the further out the delivery date. A forward market is said to be in "backwardation" when the further out the delivery date is the lower the price becomes (as shown in the chart below for 1 June 2002), and in "contango" when the further out the delivery date is the higher the price becomes. A forward market can also be "kinked" where the relationship between one or more prices of near-termed contracts is opposite to the pattern further out along the forward curve (as shown in the chart below for 1 May 2007 where the front months of the curve were in contango and months 20-36 are in backwardation).

## Brent Oil Forward Curve



Source: Bloomberg

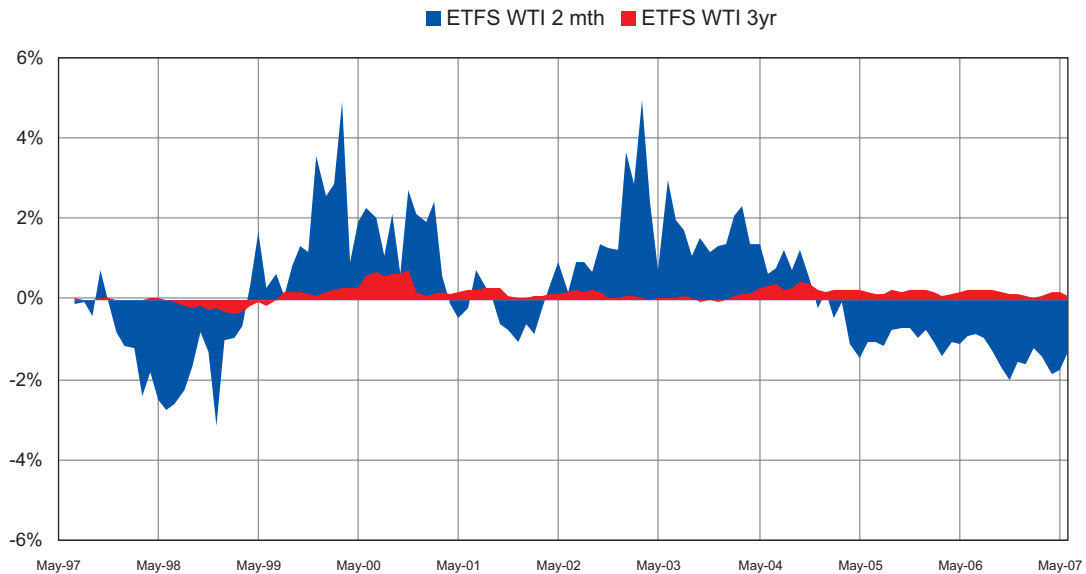
### Backwardation and Contango

An investor seeking to maintain a position in commodity futures needs to replace or “roll” over contracts prior to their expiry with contracts with a later delivery date and usually a different price. If, for example, delivery dates are monthly and an investor wishes to invest in the nearest dated contract, then the investor will need to enter into monthly transactions to sell the nearest contract and purchase the next nearest contract with the resulting proceeds in order to maintain an investment in the futures market. This process is known as “rolling” along the futures curve. If the market is in backwardation then the notional value of near contracts sold will equal the notional value of a larger number of next nearest contracts and if the market is in contango then the notional value of near contracts sold will equal the notional value of a smaller number of next nearest contracts.

Rolling of itself does not change the value of Oil Securities. However, a change in the value of Oil Securities will occur when the price of the contract rolled into increases or decreases relative to the price of the contract rolled out of, and this can occur without any change to the level or the shape of the forward curve. For example, if the market was in backwardation and the curve remained unchanged, over time the further dated contracts would become nearer dated contracts and in doing so their price would rise in accordance with the shape of the oil price curve.

The chart below shows that NYMEX WTI oil futures have both been in backwardation and in contango at various times. The NYMEX WTI and ICE Futures Brent futures markets are highly correlated, therefore if one is in backwardation (or contango) then the other one is also likely to be in backwardation (or contango). The chart below also shows that the various classes of Oil Security (WTI 2mth Oil Securities and WTI 3yr Oil Securities) have had varying degrees of backwardation and contango (as estimated using Near Contract Price less Next Contract Price) and sometimes opposing rolling yields.

## Backwardation and Contango in WTI Oil Securities



Data Source: Bloomberg, ETF Securities

### Investing along the Futures Curve

Oil contracts of different maturities are generally correlated with each other because if the near month contract increases in price, then a dated contract will also usually increase in price. However, differences in investment returns may occur when investing in different parts of the curve. These differences in return are caused by various factors including: (i) longer dated contracts further out the curve having lower short-term price sensitivity as factors which affect current oil prices have less impact on oil prices further out in time; and (ii) the shape of the curve which can result in more or less contango/backwardation or even the opposite effect if the curve is kinked. As a result, the simulated historical returns of each of the different classes of Oil Security would have given investors a different return over the long term and from period to period. See Part 3 (*Simulated Historical Returns*) for further information.

## PART 3

### SIMULATED HISTORICAL RETURNS

#### Introduction

Oil Securities have been designed to give an exposure similar to an investment in oil futures on a fully paid/collateralised basis and to provide a collateral return. The returns from such an investment position are not the same as an investment which only tracks the “spot” commodity price (usually measured by the nearby futures contract price) or from holding the physical commodity. A fully paid/collateralised investment in futures contracts generates returns from:

- changes in Near Contract Price and the Next Contract Price, being changes in the forward oil price; and
- changes in the Entitlement caused by rolling from the Near Contract to the Next Contract; and
- a “Collateral Yield”, incorporated in the Daily Adjustment to the Multiplier.

The combination of these three elements is the “total return” for the Oil Securities.

#### Simulated Historical Returns of Oil Securities

##### *Near Contract Prices and Next Contract Prices*

For each class of Oil Security, exposure to the oil price is gained by investing in the relevant Near Contract and Next Contract whose prices change directly with movements in the oil price. The results of historical simulations (see table below) show that:

- the Near Contract Price changed by an average of +15.2 per cent. to +16.7 per cent. per annum since 31 December 1997;
- in 9 of 10 years, the price change in the Near Contract for each class of Oil Security changed in the same direction; and
- the variability in the Near Contract Price decreased as the maturity of the Near Contract increased.

##### *Entitlement*

Any backwardation or contango associated with the relevant maturities of the oil futures curve during the Roll Period will result in an increase (backwardation) or decrease (contango) of the Entitlement for Oil Securities. The results of the historical simulations show that:

- on average the Entitlement for each class of Oil Security has increased, with the Entitlement increasing the most for Brent 1yr and WTI 1yr, by 5.1 per cent. and 5.2 per cent. per annum respectively;
- the variability in Entitlement decreased as the maturity of the relevant Oil Security increased;
- contango (shown by a decreasing Entitlement) occurred most often in the nearest maturities — occurring four out of the eleven periods shown for Brent 1mth and WTI 2mth; and
- changes in the Entitlement were less variable than changes in the Near Contract Price or the Oil Security Price.

##### *Oil Security Prices*

Due to the positive impact that backwardation had on the simulated Entitlement for each of the eight classes of Oil Security over the time period shown, simulated returns on these Oil Securities exhibit a total return substantially higher than that which has arisen from increases in the oil price or Near Contract Price alone. The historical simulations assume that Management Expenses and the “Collateral Yield” for the entire period were calculated as set out in this document. The results show that:

- the variability of the Price of Oil Securities was greater than the separate levels of variability of either the Near Contract Price or the Entitlement;
- the volatility and range of returns decreased as the maturity of the Oil Security increased; and

- while the compound annual returns were similar for all classes of Oil Security, the average annual return was highest for the two 1yr maturity products.

### Correlation of Commodities with Other Asset Classes

Numerous academic and other research papers in recent years have examined the risk and return characteristics of a variety of commodities compared to other asset classes such as equities and bonds. A portfolio comprising securities of different asset classes will increase portfolio diversification and decrease portfolio risk (volatility) when the correlation between the asset classes is low or negative. While the precise results of the research vary, depending on choice of time period, data frequency, and indices selected, the results mostly suggest that commodities have low to negative correlation to equities and bonds.

For example, a recent paper by Gary Gorton from the Wharton School and Geert Rouwenhurst from Yale University (“Facts and Fantasies about Commodity Futures”, 2005) found that an equally weighted diversified index constructed from commodity futures was negatively correlated to equities and bonds because the different asset classes behave differently in different stages of the business cycle. A paper by R Greer (“The Nature of Commodity Index Returns”) published in the Journal of Alternative Investments, Summer 2000 found that between 1970 and 1999 commodities were negatively correlated with equities and bonds. Further, a paper published in 2005 by K. Pulvermacher of the World Gold Council (“Investing in commodities: a risky business”) found, in addition to supporting the results above, that oil (measured by the Brent oil price) was negatively correlated to the Dow Jones Industrial Average Index, the S&P500 Index and US T-bills over the five years to 31 December 2004.

### Simulated Historical Investment Returns

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	30-Jun 2007	Annual compound return <sup>(5)</sup>	
Collateral yield	4.2%	4.1%	3.7%	4.9%	2.4%	0.3%	-0.3%	0.0%	1.9%	3.6%	3.8% <sup>(4)</sup>	2.4%	
ETFS Brent 1mth													
Near contract price	-30.6%	-36.3%	138.2%	-4.8%	-16.6%	44.0%	5.3%	34.1%	45.8%	3.2%	17.3%	16.7%	
Entitlement	2.0%	-22.1%	8.0%	31.8%	5.9%	6.1%	17.3%	8.1%	-10.1%	-12.9%	-5.4%	1.7%	
Security price	-26.3%	-48.3%	166.8%	31.6%	-9.5%	53.2%	23.1%	44.9%	33.6%	-6.9%	13.1%	21.4%	
ETFS Brent 1yr													
Near contract price	no data available <sup>(1)</sup>	-29.0%	58.5%	18.3%	-13.5%	17.7%	17.0%	43.1%	58.2%	6.3%	10.0%	16.3%	
Entitlement	no data available <sup>(1)</sup>	-6.6%	5.4%	16.0%	7.9%	7.8%	10.7%	9.2%	2.6%	-1.8%	-0.6%	5.1%	
Security price	no data available <sup>(1)</sup>	-30.2%	70.2%	44.3%	-3.7%	26.4%	29.4%	56.4%	66.0%	8.2%	11.9%	25.2%	
ETFS Brent 2yr													
Near contract price	no data available <sup>(1)</sup>	-18.9%	26.5%	21.7%	-6.5%	8.3%	19.3%	44.8%	65.1%	7.8%	9.9%	16.5%	
Entitlement	no data available <sup>(1)</sup>	-2.8%	0.2%	8.4%	4.9%	3.1%	2.5%	5.5%	3.5%	2.0%	0.7%	2.9%	
Security price	no data available <sup>(1)</sup>	-17.3%	30.3%	38.3%	0.8%	11.6%	22.0%	52.5%	74.1%	14.1%	11.7%	22.6%	
ETFS Brent 3yr													
Near contract price	no data available									62.1% <sup>(3)</sup>	9.2%	9.4%	n/a
Entitlement	no data available									2.2% <sup>(3)</sup>	2.3%	0.8%	n/a
Security price	no data available									69.6% <sup>(3)</sup>	15.8%	11.1%	n/a
ETFS WTI 2mth													
Near contract price	-29.4%	-31.6%	103.4%	4.8%	-22.6%	52.1%	5.5%	35.2%	41.9%	0.8%	13.8%	15.7%	
Entitlement	3.9%	-21.4%	7.3%	29.3%	2.8%	6.2%	29.7%	14.1%	-9.1%	-13.8%	-8.8%	2.5%	
Security price	-23.5%	-44.0%	126.4%	42.2%	-18.5%	62.1%	36.5%	54.3%	31.4%	-10.0%	5.7%	21.3%	
ETFS WTI 1yr													
Near contract price	-10.5%	-26.0%	46.7%	18.8%	-13.6%	18.9%	16.4%	45.4%	53.5%	4.3%	7.0%	15.2%	
Entitlement	2.4%	-6.3%	4.9%	15.3%	7.7%	8.3%	11.0%	9.9%	2.9%	-1.8%	-0.9%	5.2%	
Security price	-4.0%	-27.2%	57.2%	43.9%	-4.1%	28.4%	28.9%	59.9%	61.3%	6.3%	8.9%	24.2%	
ETFS WTI 2yr													
Near contract price	-5.0%	-17.7%	20.7%	21.1%	-6.5%	10.3%	17.0%	48.1%	59.1%	6.1%	7.5%	15.4%	
Entitlement	0.2%	-2.5%	0.0%	8.1%	4.8%	3.1%	2.4%	5.2%	3.4%	1.9%	0.4%	2.8%	
Security price	-0.8%	-15.9%	24.1%	37.2%	0.6%	14.0%	19.4%	55.7%	67.7%	12.2%	9.7%	21.4%	
ETFS WTI 3yr													
Near contract price	-3.1% <sup>(2)</sup>	-11.4%	8.6%	20.3%	-3.6%	10.5%	16.0%	45.8%	60.3%	7.9%	7.9%	15.4%	
Entitlement	-0.5% <sup>(2)</sup>	-1.2%	-0.8%	5.3%	2.1%	1.5%	0.1%	2.8%	2.3%	2.1%	0.6%	1.5%	
Security price	0.3% <sup>(2)</sup>	-8.6%	11.3%	33.0%	0.9%	12.5%	15.9%	49.5%	67.1%	14.3%	10.1%	19.9%	

Footnotes:

- (1) Data only available from 17 December 1997.
- (2) Annualised based on data available from 3 January 1997.
- (3) Annualised based on data available from 7 February 2005.
- (4) Annualised based on performance from 31 December 2006 to 30 June 2007.
- (5) Since 31 December 1997.

These tables do not constitute a forecast. Past performance is not an indication of expected performance and the investment performance of an Oil Security could be volatile and the return for Oil Securities may differ from the simulated historical returns.

Historical data enabling users to calculate historic performance and volatility is published on the website of the relevant Exchange (<http://www.theice.com> and <http://www.nymex.com>) or in each case from other data providers (a subscription may be required).

**Past performance is not an indication of expected future performance and the investment performance of an Oil Security could be volatile. The period shown is not a representative period however only the past ten years of simulated returns have been shown as most of the underlying data is available. Some of the longer dated Near Contracts and Next Contracts only started trading just prior to or during the past ten years.**

## PART 4

### DESCRIPTION OF THE OIL SECURITIES

*The following is a description of the rights attaching to the Oil Securities and is included in this Prospectus for illustrative purposes only. The legally binding Conditions of the Oil Securities are set out in Part 7 (Particulars of the Oil Securities) of this Prospectus or, prior to the Effective Date, in relation to Brent 1mth Oil Securities and WTI 2mth Oil Securities, Part 7 of the prospectus dated 20 July 2006. Copies of the Trust Instrument, by which the Oil Securities are constituted, are available for inspection as set out in paragraph 14 (Documents Available for Inspection) of Part 10 (Additional Information).*

An Oil Security is an undated secured limited recourse debt obligation of the Issuer, which entitles a Security Holder (provided it is an Authorised Participant) to require the redemption of the Oil Security at the Price of that Oil Security calculated on the relevant Pricing Day (day T) and to receive such amount in US Dollars, three Payment Business Days later (normally day T+3). 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.

Oil Securities confer no right to receive or obligation to deliver physical oil but are financial instruments designed to enable investors to gain exposure to a “total return” from movements in crude oil futures prices without needing to purchase or sell or take or make physical delivery of oil or to trade in futures contracts, and to buy and sell that interest through the trading of a security in the secondary markets. Oil Securities are intended to give investors a return similar to the returns which could be achieved from a fully paid/collateralised investment in oil futures contracts, including exposure to backwardation and/or contango (each as defined below) in the oil futures market (incorporated in the Entitlement), a collateral return (incorporated in the Multiplier) and transparent pricing. However, unlike managing a futures position, Oil Securities involve no margin calls, and no brokerage or other fees are incurred when rolling from one contract to the next.

Eight classes of Oil Security will be issued under this Programme — four classes of Brent-referenced Oil Securities, which are priced off Brent Contracts traded on the ICE Futures Market in London and four classes of WTI-referenced Oil Securities, which are priced off WTI Contracts traded on NYMEX in New York. Oil futures contracts for a series of monthly delivery dates are quoted on both exchanges and in each case contracts with appropriate delivery dates are used to price Oil Securities.

<b>Class of Oil Security</b>	<b>Applicable Oil Futures Contracts</b>
Brent 1mth	first and second month contracts
WTI 2mth	second and third month contracts
Brent 1yr and WTI 1yr	first and second December contracts
Brent 2yr and WTI 2yr	second and third December contracts
Brent 3yr and WTI 3yr	third and fourth December contracts

#### **Pricing of Oil Securities**

An Oil Security entitles an Authorised Participant (subject to certain conditions) to require the redemption of the Oil Security at the Price of that Oil Security calculated on the relevant Pricing Day (day T) and to receive such amount three Payment Business Days later (normally day T+3). Oil Securities will be priced and settled in US Dollars.

Oil Securities will usually be priced on each day on which there is trading in the Relevant Month Contracts on the Relevant Exchange (subject to Market Disruption Events occurring, which will result in pricing being deferred until the next available Pricing Day).

Not all classes of Oil Securities have the same Pricing Days (because the Exchanges used for the Relevant Month Contracts are different). Consequently there will be days on which Prices are calculated and published for some classes of Oil Securities but not others.

### *Formulae for Pricing Oil Securities*

The Issuer intends, shortly after the issue of this Prospectus, to give notice to amend the Conditions of the Brent 1mth Oil Securities and the WTI 2mth Oil Securities so as to be consistent with the Conditions of the New Securities. This amendment is expected to become effective on 31 August 2007 and until then the Price of the Brent 1mth Oil Securities and the Price of the WTI 2mth Oil Securities will be calculated in the manner described in the Issuer's Prospectus dated 20 July 2006. The amendment is intended to increase transparency so as to distinguish the effect of the Daily Adjustment and the benefit/cost of backwardation/contango and not to have any substantive effect on the Price of any Oil Securities.

From 31 August 2007 for the Brent 1mth and WTI 2mth and from the date of this Prospectus, the Price for each class of Oil Security, on each Pricing Day for that class, will be calculated as follows:

$$PC_{(i,t)} = \{P_{1(i,t)} \times E_{1(i,t)} + P_{2(i,t)} \times E_{2(i,t)}\} \times M_{(i,t)}$$

where:

i refers to the relevant class of Oil Security;

t refers to the applicable Pricing Day;

$PC_{(i,t)}$  is the Price of an Oil Security of class i on Pricing Day t;

$P_{1(i,t)}$  is the Near Contract Price, expressed in US Dollars per barrel of oil, applicable to an Oil Security of class i on Pricing Day t;

$E_{1(i,t)}$  is the Near Entitlement applicable to an Oil Security of class i on Pricing Day t;

$P_{2(i,t)}$  is the Next Contract Price, expressed in US Dollars per barrel of oil, applicable to an Oil Security of class i on Pricing Day t;

$E_{2(i,t)}$  is the Next Entitlement applicable to an Oil Security of class i on Pricing Day t; and

$M_{(i,t)}$  is the Multiplier of class i for Pricing Day t.

A Price will be calculated by the Issuer for each class of Oil Security on each day that is a Pricing Day for that class, with all Prices being calculated to seven places of decimals with 0.00000005 rounded upwards.

Each component of the Price for each class of Oil Security in issue will be calculated by the Issuer as at the date of trading on each Pricing Day (after the Settlement Price(s) for that day have been published) and will be posted on the Issuer's website at <http://www.etfsecurities.com/osl> prior to trading in the Oil Securities commencing on the following Pricing Day.

### *Roll Period*

To enable each class of Oil Security to have the desired maturity profile and to overcome the problem of the futures contracts ceasing trading where relevant as they approach their delivery date, each month there will be some "rolling" into later dated contracts — from the Near Contract to the Next Contract applicable for each class of Oil Security.

For Brent 1mth Oil Securities and WTI 2mth Oil Securities, the Roll Period will be the first, second, third, fourth and fifth Pricing Days of each month. For the other Oil Securities, the Roll Period will be the first and second Pricing Days of each month.

### *Near Contract and Next Contract*

Each Oil Security will be priced by reference to two futures contracts, referred to as the Near Contract and the Next Contract. For the Brent 1mth Oil Securities and WTI 2mth Oil Securities, these contracts are near-term futures contracts with expiry dates one month apart. For the other Oil Securities, the contracts are the two December contracts straddling the designated maturity of the Oil Security.

The following table shows the Near Contract and the Next Contract as at date of Prospectus:

<b>Class of Oil Security</b>	<b>Near Contract</b>	<b>Next Contract</b>
Brent 1mth	Sep 07	Oct 07
WTI 2mth	Oct 07	Nov 07
Brent 1yr/WTI 1yr	Dec 07	Dec 08
Brent 2yr/WTI 2yr	Dec 08	Dec 09
Brent 3yr/WTI 3yr	Dec 09	Dec 10

The rules determining the Near Contract and Next Contract for each class of Oil Security are as follows:

- For Brent 1mth Oil Securities, from the first Trading Day of any month after the Roll Period to the last day of the Roll Period in the following month, the Near Contract will be the Brent Contract in which trading ceases in that following month and the Next Contract will be the Brent Contract in which trading ceases in the month immediately following that month;
- For WTI 2mth Oil Securities, from the first Trading Day in any month after the Roll Period to the last day of the Roll Period in the following month, the Near Contract will be the WTI Contract in which trading ceases in the month after that following month and the Next Contract will be the WTI Contract in which trading ceases in the month immediately following that month;
- For the other Oil Securities, from the first Trading Day in November after the Roll Period to the last day of the Roll Period in the following November, the Near Contract will be:
  - for the Brent 1yr Oil Securities and the WTI 1yr Oil Securities, the shortest dated December Brent Contract or WTI Contract (as the case may be) (excluding, in November, the December Contract in which trading ceases that November);
  - for the Brent 2yr Oil Securities and the WTI 2yr Oil Securities, the next following December Brent Contract or WTI Contract (as the case may be); and
  - for the Brent 3yr Oil Securities and the WTI 3yr Oil Securities, the second following December Brent Contract or WTI Contract (as the case may be),

and the Next Contract will be the December Contract immediately following the Near Contract for that class of Oil Security.

#### *Entitlement*

The pricing formula for an Oil Security (set out above), ignoring the Multiplier, is simply the Near Contract Price multiplied by its weight plus the Next Contract Price multiplied by its weight. These “weights” are called, respectively, the Near Entitlement and the Next Entitlement.

The Near Entitlement and Next Entitlement will be adjusted each month for each class of Oil Security, as follows:

- For Brent 1mth Oil Securities and WTI 2mth Oil Securities, on each Roll Day during Roll Period each month

$$E_{1(i,r)} = E_{1(i,r-1)} - \frac{1}{5} \times E_{1(i,0)}$$

$$E_{2(i,r)} = E_{2(i,r-1)} + \frac{1}{5} \times E_{1(i,0)} \times P_{1(i,r)} / P_{2(i,r)}$$

where:

- i refers to the relevant class of Oil Security;
- r is the number representing the position of the Roll Day in the ordered sequence of Roll Days in the Roll Period (so that for the third Roll Day, r = 3);
- $E_{1(i,r)}$  is the Near Entitlement for class i on Roll Day r;
- $E_{1(i,0)}$  is the Near Entitlement for class i on the day prior to the Roll Period commencing;
- $E_{2(i,r)}$  is the Next Entitlement for class i on Roll Day r (and  $E_{2(i,r-1)}$  on Roll Day 1 is zero);
- $P_{1(i,r)}$  is the Near Contract Price for class i on Roll Day r; and
- $P_{2(i,r)}$  is the Next Contract Price for class i on Roll Day r.

- For all other classes of Oil Securities, on each Roll Day during a Roll Period

$$E_{1(i,r)} = E_{1(i,r-1)} - \frac{1}{24} \times E_{1(i,Nov)}$$

$$E_{2(i,r)} = E_{2(i,r-1)} + \frac{1}{24} \times E_{1(i,Nov)} \times P_{1(i,r)}/P_{2(i,r)}$$

save that:

(a) on the Last Scheduled Roll Day of the Roll Year:

$$E_{1(i,r)} = 0,$$

$$E_{2(i,r)} = E_{2(i,r-1)} + E_{1(i,r-1)} \times P_{1(i,r)}/P_{2(i,r)}; \text{ and}$$

(b) on the Roll Day immediately before the Last Scheduled Roll Day,  $E_{1(i,r)}$  is the difference between  $E_{1(i,Nov)}$  and the aggregate of the Near Entitlements for each preceding Roll Day in that Roll Year;

where:

$r$  is the number representing the position of the Roll Day in the ordered sequence of Roll Days in such Roll Year (so that for the third Roll Day, for example,  $r = 3$ );

$E_{1(i,r)}$  is the Near Entitlement on Roll Day  $r$  for class  $i$ ;

$E_{1(i,r-1)}$  is the Near Entitlement for class  $i$  on the Roll Day immediately before Roll Day  $r$ ;

$E_{1(i,Nov)}$  is the Near Entitlement on the first Pricing Day after the last Roll Day of the most recent November Roll Period for class  $i$ ;

$E_{2(i,r)}$  is the Next Entitlement on Roll Day  $r$  for class  $i$ ;

$E_{2(i,r-1)}$  is the Next Entitlement for class  $i$  on the Roll Day immediately before Roll Day  $r$ ;

$P_{1(i,r)}$  is the Near Contract Price on Roll Day  $r$  for class  $i$ ; and

$P_{2(i,r)}$  is the Next Contract Price on Roll Day  $r$  for class  $i$ .

The Near Entitlement and Next Entitlement will be calculated by the Issuer, for each class of Oil Security, at the end of each Roll Day to seven decimal places (with 0.00000005 rounded upwards).

The Near Entitlement and Next Entitlement for each Oil Security of a particular class is adjusted equally for all securities of that class, including for new issues, so that all securities of the same class are always fungible.

As at 19 July 2007, the Near Entitlement and Next Entitlement are as follows:

- For Brent 1mth Oil Securities,  $E_1$  is 0.8049245 and  $E_2$  is zero;
- For WTI 2mth Oil Securities,  $E_1$  is 0.8580394 and  $E_2$  is zero; and
- For the other Oil Securities,  $E_1$  is 0.3333333 and  $E_2$  is 0.6666667.

The following table shows the calculations for an investor in Brent 1mth Oil Securities or WTI 2mth Oil Securities for each day of the five-day Roll Period using the formulae shown above and the formulae shown in the previous Prospectus, which give the same result. For simplicity, the Near Entitlement is shown as precisely 1 at the start of the Roll Period.

Pricing Formulae as per above

Roll Day	Near Contract Price	Next Contract Price	Near Entitlement	Next Entitlement	Total Value
Prior	\$50.00		1.00	0.0000000	\$50.00000
1st	\$50.00	\$49.50	0.80	0.2020202	\$50.00000
2nd	\$51.00	\$50.00	0.60	0.4060202	\$50.90101
3rd	\$51.00	\$50.75	0.40	0.6070054	\$51.20553
4th	\$49.50	\$49.00	0.20	0.8090462	\$49.54327
5th	\$50.00	\$49.00*	—	1.0131278	\$49.64327

\* The Next Contract becomes the Near Contract after the end of the Roll Period

The example shown here is of a market in backwardation (as between the Near Contract and the Next Contract) during the Roll Period and hence the Entitlement increases. If the market were in contango then the Entitlement would decrease during the Roll Period.

Previous Formulae						
Roll Day	Near Contract Price	Next Contract Price	Reference Price	Entitlement	Total Value	
Prior	\$50.00		\$50.00	1.0	\$50.00000	
1st	\$50.00	\$49.50	\$49.90	1.002004	\$50.00000	
2nd	\$51.00	\$50.00	\$50.60	1.0059488	\$50.90101	
3rd	\$51.00	\$50.75	\$50.85	1.0069916	\$51.20553	
4th	\$49.50	\$49.00	\$49.10	1.0090278	\$49.54327	
5th	\$50.00	\$49.00*	\$49.00	1.0131279	\$49.64327	

\* The Next Contract becomes the Near Contract after the end of the Roll Period

The example shown here is of a market in backwardation (as between the Near Contract and the Next Contract) during the Roll Period and hence the Entitlement increases. If the market were in contango then the Entitlement would decrease during the Roll Period.

The following table shows, for each day of a five-day Roll Period, the weights applied to the Near Contract Price and the Next Contract Price, expressed as a percentage of the Near Entitlement on the day prior to the Roll Period commencing:

Roll Day (r)	Near Contract Weighting	Next Contract Weighting
Prior	100%	—
1st	80%	$20\% \times P_1/P_{2(1)}$
2nd	60%	$20\% \times P_1/P_{2(1)} + 20\% \times P_1/P_{2(2)}$
3rd	40%	$20\% \times P_1/P_{2(1)} + 20\% \times P_1/P_{2(2)} + 20\% \times P_1/P_{2(3)}$
4th	20%	$20\% \times P_1/P_{2(1)} + 20\% \times P_1/P_{2(2)} + 20\% \times P_1/P_{2(3)} + 20\% \times P_1/P_{2(4)}$
5th	—	$20\% \times P_1/P_{2(1)} + 20\% \times P_1/P_{2(2)} + 20\% \times P_1/P_{2(3)} + 20\% \times P_1/P_{2(4)} + 20\% \times P_1/P_{2(5)}$

#### Daily Adjustment and Multiplier

The Price of each class of Oil Securities will be adjusted on each Daily Adjustment Day by a factor, referred to as the Daily Adjustment, to reflect the following:

- the Management Expenses; and
- any other adjustment included in the terms of Oil Contracts which may be agreed to by the Issuer and the relevant Oil Major Company (“**Other Adjustment**”), reflecting the benefit or cost to an Oil Major Company of selling Oil Contracts to the Issuer.

The Daily Adjustment will be expressed as a number calculated to seven decimal places (0.00000005 being rounded upwards). It will be calculated as follows:

$$A_{(i,t)} = (1 + F_{(i,t)})^{1/T}$$

where:

$A_{(i,t)}$  is the Daily Adjustment on Daily Adjustment Day t, of class i expressed as a number;

$F_{(i,t)}$  is the Other Adjustment less Management Expenses (whether or not any amount in respect of which is otherwise payable to the Issuer), each expressed as a percentage per annum on Daily Adjustment Day t of class i; and

T is the number of Daily Adjustment Days in the calendar year in which the Trading Day t falls.

The Daily Adjustment for each class of Oil Security will be the weighted average of the Daily Adjustment on all Oil Contracts of the corresponding class outstanding each Daily Adjustment Day. The Daily Adjustment for the New Securities will begin to accrue commencing on the first Daily Adjustment Day following the day of first issue of any new class of New Securities. The Daily Adjustment for Brent 1mth Oil Securities and WTI 2mth Oil Securities begun accruing previously.

The Other Adjustment will be as agreed from time to time by each Oil Major Company and the Issuer and for each class of Oil Security will be the weighted average of the Other Adjustment on all Oil

Contracts of the corresponding class outstanding each Daily Adjustment Day. The Other Adjustment is currently agreed at Weekly LIBOR less 1.0 per cent. per annum.

The Multiplier for each class is precisely 1.0000000 at the date of this Prospectus and will begin to change commencing after the first Daily Adjustment Day on the first issue of any New Securities as follows:

$$M_{(i,t)} = M_{(i,t-1)} \times A_{(i,t)}$$

where:

t is the number of Daily Adjustment Days in a calendar year in which t falls for class i;

$M_{(i,t)}$  is the Multiplier for Daily Adjustment Day t of class i; and

$A_{(i,t)}$  is the Daily Adjustment on Daily Adjustment Day t of class i.

The Multiplier shall initially be the same for all classes of Oil Securities. It will be calculated each Daily Adjustment Day by the Issuer to seven places of decimals (with 0.00000005 rounded upwards).

Whenever the Other Adjustment changes (currently each week), the Issuer will calculate the "Collateral Yield", being the daily Other Adjustment, expressed as a percentage rate per annum. The Multiplier and Collateral Yield applying on each day will be posted by the Issuer on its website, at [www.etfsecurities.com/osl](http://www.etfsecurities.com/osl).

#### *Contract Expiry Dates*

Trading in Brent Contracts currently ceases at the close of business on the Business Day immediately preceding the fifteenth day prior to the first day of the delivery month if such fifteenth day is a banking day in London. If such fifteenth day is not a banking day in London (and for this purpose neither a Saturday nor a Sunday is a banking day in London), trading ceases on the Business Day immediately preceding the next Business Day prior to such fifteenth day. Details of the last Trading Day for contracts relating to each delivery month are published by ICE Futures and are currently available on ICE Futures' website at [www.theice.com/publicdocs/futures/expiry\\_dates.xls](http://www.theice.com/publicdocs/futures/expiry_dates.xls).

Trading in WTI Contracts currently ceases at the close of business on the third Business Day in New York prior to the twenty-fifth day of the month preceding the delivery month if such twenty-fifth day is a Business Day in New York. If such twenty-fifth day is not a Business Day in New York, trading ceases on the third Business Day in New York prior to the last Business Day in New York preceding such twenty-fifth day. Details of the last Trading Day for contracts relating to each delivery month are published by the NYMEX and are currently available on NYMEX's website at [www.nymex.com/CLterm.aspx](http://www.nymex.com/CLterm.aspx).

Most Contracts are scheduled to trade for around ten Trading Days in the month in which they expire, although in some months this can be as few as eight Trading Days. As the Roll Period for the Brent 1mth Oil Securities commences on the first Pricing Day of each month and lasts for five Pricing Days, there should be a sufficient number of Pricing Days each month to have a five-day Roll Period, other than in unusual circumstances. For all other Oil Securities there should be sufficient Pricing Days each month for the Roll Period, other than in very unusual circumstances.

#### *Market Disruption Days*

Whenever a Market Disruption Day occurs for a Relevant Month Contract used to price a particular class of Oil Security, it will not be a Pricing Day for that class of Oil Security. A Market Disruption Day is a Trading Day on which the relevant Exchange, amongst other things, fails to announce or publish the relevant Settlement Price, or announces that it will or expects to fail to do so.

Extraordinary circumstances may arise where there are such a number of Market Disruption Days in a Roll Period that, for Brent 1mth Oil Securities or WTI 2mth Oil Securities, there are not enough Trading Days remaining to enable the Roll Period to consist of five Roll Days. In such circumstances, the above Entitlement formula for Brent 1mth Oil Securities and WTI 2mth Oil Securities shall be amended by:

Replacing the term  $\frac{1}{5} \times E_{1(i,0)}$

With the term  $\frac{1}{N_{(i,r)}} \times E_{1(i,0)}$

where:

$N_{(i,r)}$  is the number of Remaining Trading Days in the Roll Period for Oil Securities of class i.

If a Roll Period contains so many Market Disruption Days that  $E_{1(i,r)}$  is not yet zero by the last day of trading in the Near Contract and that last Trading Day is also a Market Disruption Day, unless the Issuer and the Trustee agree otherwise,  $E_{1(i,r)}$  will be set to zero (as at that Pricing Day) and  $E_{2(i,r)}$  (which will become the new  $E_{1(i,t)}$ ) will be as determined by an Expert.

For the Brent 1yr Oil Securities, WTI 1yr Oil Securities, Brent 2yr Oil Securities, WTI 2yr Oil Securities, Brent 3yr Oil Securities and WTI 3yr Oil Securities, only in exceptional circumstances where there are Market Description Days toward the end of the Roll Year will it be necessary to amend the number of Roll Days remaining or in the more extreme circumstances will it be necessary to consult an Expert, as further described in Part 7 (*Particulars of the Oil Securities* under the heading "Market Disruption").

### **Consolidation and Division of Oil Securities**

Circumstances may arise where the Issuer might wish to effect a consolidation or division of a particular class of Oil Security.

For example, if a class of Oil Security was secured on corresponding Oil Contracts from two or more different Oil Major Companies and one of them (the "Lower Credit") had, for example, a significant credit rating downgrade it may be necessary or desirable, in order to ensure that the value of the Oil Security reflects the value of the relevant oil futures contract, for the Oil Contracts provided by the Lower Credit to be excluded from that class. This could be effected by the Oil Contracts of the Lower Credit being transferred into a new Pool and the Issuer creating and issuing new Oil Securities secured by that new Pool on a one-for-one basis with the Multiplier on both classes being adjusted accordingly. Investors of the affected class would then hold two Oil Securities for each one they held previously and the Multiplier would be split between the two. For example, if the Oil Contracts issued by the Lower Credit comprised 30 per cent. of the aggregate number of Oil Contracts in the Pool and the Multiplier before the transfer was 1.00, then the Multiplier following the division would be 0.70 on the old class and 0.30 on the new class.

A division, without creating a new class, or a consolidation of the same class, might also be effected to change the Multiplier so that it became approximately 1.00. For example, if the Multiplier has risen to 2.00, a two-for-one division of each Oil Security would mean that the Multiplier would again amount to 1.00. Similarly, if the Multiplier fell to 0.5 then a one-for-two consolidation would mean that the Multiplier would again be 1.00.

The Issuer has the right under the Trust Instrument at any time to effect either a consolidation or division and to allocate Oil Contracts into a new Pool representing a new class of Oil Securities, and need not obtain Listing for any such new class of Oil Securities. The Issuer will only take such action if it believes it is in the interest of the affected Security Holders to do so.

### **Changes to Pricing Parameters**

Circumstances may arise where the Issuer might wish to change a Pricing Parameter for one or more classes of Oil Security (for example, in the event an Oil Major Company wishes to change a corresponding Pricing Parameter with respect to a corresponding class of Oil Contracts).

Either the Issuer or, in respect of Oil Contracts, an Oil Major Company may propose a change to any Pricing Parameter provided that the proposal does not: (i) in the opinion of each of the Issuer and the Oil Major Company, change the amount that would be payable on redemption of any Oil Contract to which such proposed change related, if such Oil Contract were redeemed on the day such proposal is implemented; and (ii) change the delivery months unless the Issuer and the relevant Oil Major Company believe in good faith that the proposed replacement oil futures contract or delivery months are attracting a level of liquidity (in the underlying markets, including, but not limited to, the market on the relevant Exchange in which such replacement contract or delivery months are admitted to trading) which is sufficient to enable exposures in respect of Oil Securities and Oil Contracts to be hedged on an efficient and commercial basis.

The Issuer will publish notification via a RIS of any change to the Pricing Parameters. Any such change to any of the Pricing Parameters will be effective not earlier than 30 days following such RIS announcement.

### **Authorised Participants**

Only Authorised Participants may deal with the Issuer in creating or redeeming Oil Securities, save where, as noted below, at any given time there are no Authorised Participants. A person can only be an Authorised Participant if it is: (a) a securities house or other market professional approved by the Issuer (in its absolute discretion); (b) an Authorised Person, an Exempt Person or an Overseas Person; and (c) it is not a UCITS fund. An Authorised Participant must also have entered into, with the Issuer and ETFSL, an Authorised Participant Agreement dealing with, amongst other things, the rights and obligations of the Authorised Participant in relation to creating and redeeming Oil Securities.

Authorised Participant Agreements have been entered into with Citigroup Global Markets Limited, Fortis Bank Global Clearing N.V., Morgan Stanley & Co. International Limited, UBS AG, London Branch, Bayerische Hypo- und Vereinsbank AG, Barclays Capital Securities Limited and ABN-AMRO Bank N.V., London branch, the terms of which (as amended) are summarised in Part 10 (*Additional Information*) under "Authorised Participant Agreements".

The Issuer will use its reasonable endeavours to ensure that at all times, for the duration of the Programme, there are at least two Authorised Participants. In the event that at any time there are no Authorised Participants, Security Holders will be permitted to redeem Oil Securities respectively held by them directly from the Issuer.

### *Creations and Redemptions*

Oil Securities may be created on the Application of an Authorised Participant during the period of 12 months from the date of this document. Creations will only occur if a Pricing Day can be established. There is no minimum or maximum number of Oil Securities that may be applied for.

Creations and redemptions of Oil Securities will each be subject to daily limits and total limits as set out below under the heading "Creation and Redemption Limits" below.

Oil Securities will be treated as being issued at a subscription price per security equal to the applicable Creation Price on the applicable Pricing Day. If the Applicant wishes to subscribe for Oil Securities at a fixed price, rather than by reference to the current Settlement Price, the Issuer may agree a Creation Price with the Applicant provided it can purchase the corresponding Oil Contracts at an equivalent price.

Application Moneys for all Oil Securities must be paid by Applicants directly to the relevant Oil Major Company from whom the corresponding Oil Contracts are being purchased by the Issuer, via CREST. Legal title is transferred by means of the CREST system and evidenced by an entry on the Register.

Subject as provided under the heading "Right to Decline Applications" below, an Application received by the Issuer after 8.00 a.m. and before 2.30 p.m. (London time) (or, if earlier, 30 minutes prior to the applicable Notice Deadline) on a Pricing Day (day T) will enable Authorised Participants to be registered as Security Holders in respect of the relevant Oil Securities within three Business Days (that is, on a T+3 basis). In respect of any Application received by the Issuer prior to 8.00 a.m. or after 2.30 p.m. (London time) (or, if earlier, 30 minutes prior to the applicable Notice Deadline) on a Pricing Day, such Application will be void save to the extent that the relevant Oil Major Company confirms to the Issuer that such Oil Major Company will create corresponding Oil Contracts in respect of the Oil Securities which are the subject of such Application notwithstanding the time of submission of the Application. Upon receipt and confirmation of a valid Application, the Issuer must send a Creation Notice to the relevant Oil Major Company requesting the creation of such number of Oil Contracts as correspond to the Application, and confirm the Oil Major Company's receipt of such Creation Notice, in accordance with the terms of the relevant Authorised Participant Agreement and Oil Purchase Agreement.

Following publication of Settlement Price(s) by the relevant Exchange on each Pricing Day on which an Application is received, the Issuer will calculate the Price of the Oil Securities applied for by each Applicant and confirm such Price to each Applicant and relevant Oil Major Company or Oil Major Companies by 7.00 a.m. on T+1. Each Applicant and relevant Oil Major Company must notify any objection to the Issuer's calculation of Price by 10.00 a.m. on T+1.

Settlement of Oil Securities on creation will only be made against payment in CREST and only after:

- (a) receipt by the Issuer of a valid Application;
- (b) purchase by the Issuer of the same number of Oil Contracts; and
- (c) Listing in respect of such Oil Securities having become effective.

Upon the occurrence of (a) to (c) above, the Oil Securities applied for will be delivered after 10.00 a.m. on the third Business Day following the Creation Date to the relevant Applicant into a designated CREST settlement bank account and its entering correct delivery versus payment instructions into the CREST system.

If an Applicant does not make payment for the full amount of Oil Securities applied for on the due date for payment or the following Business Day, the Issuer may elect by notice to the Applicant to cancel the Application.

#### *Right to Decline Applications*

The Issuer will decline Applications if it cannot for any reason purchase corresponding Oil Contracts from an Oil Major Company.

Under the Oil Purchase Agreement with Shell Trading Switzerland, Shell Trading Switzerland is obliged to provide to the Issuer on any Pricing Day an amount of Oil Contracts of each class up to the creation limits for that class, details of which are set out under the heading "Creation and Redemption Limits" below, provided that the corresponding Application is lodged after 8.00 a.m. and prior to 2.30 p.m. (London time) (or, if earlier, 30 minutes prior to the applicable Notice Deadline) on the relevant Pricing Day, subject to the Issuer's discretion (which may be withheld without assigning a reason therefor) to accept Applications submitted at a later time. If the corresponding Application is lodged after 2.30 p.m. (London time) (or, if earlier, 30 minutes prior to the applicable Notice Deadline) on the relevant Pricing Day, then no corresponding Oil Contracts will be provided if the aggregate amount of Oil Contracts, attributable to such Application and all other Applications received after 2.30 p.m. (or, if earlier, 30 minutes prior to the applicable Notice Deadline), would exceed the aggregate Entitlement and/or daily Entitlement limits which are specified under the heading "Creation and Redemption Limits" below.

If on any Trading Day Authorised Participants make Applications for more than the maximum number of Oil Securities available for issue, Applications will be dealt with in strict time priority.

#### *Redemptions Process*

A Security Holder who is also an Authorised Participant may, at any time, by lodging a Redemption Notice with the Issuer, require the redemption of all or any of its Oil Securities at the Redemption Price. Redemptions will only occur if a Pricing Day can be established. If an Authorised Participant wishes to redeem Oil Securities at a fixed price rather than by reference to the applicable Settlement Price on the Pricing Day, the Issuer may agree a Redemption Price with the Authorised Participant provided it can sell the corresponding Oil Contracts back to the relevant Oil Major Company at an equivalent price. A Security Holder who is not also an Authorised Participant may only require the redemption of any of its Oil Securities if, on any Trading Day, there are no Authorised Participants and the Security Holder submits a valid Redemption Notice on such day.

The Issuer is not, however, required to redeem more than such number of Oil Securities of any class as equals the redemption limit for that class, details of which are set out under the heading "Creation and Redemption Limits" below, on any one Redemption Date. If valid Redemption Notices are lodged in respect of a greater number of Oil Securities, the Issuer may elect either to satisfy such Redemption Notices in full or to otherwise treat them as invalid, which will depend on whether the Registrar receives a notice from a relevant Oil Major Company, in accordance with its applicable Oil Purchase Agreement, confirming that such Oil Major Company is willing to increase the above-mentioned redemption limits on such Pricing Day to allow the redemptions, which are the subject of the Redemption Notice, to be satisfied. If valid Redemption Notices are given in respect of more than the maximum number of Oil Securities of any class available for redemption on such Redemption Date, such Redemption Notices will be dealt with in strict time priority.

If a valid Redemption Notice is lodged with the Issuer after 8.00 a.m. and before 2.30 p.m. (London time) (or, if earlier, 30 minutes prior to the applicable Notice Deadline) on a Pricing Day, the

applicable Redemption Date (on which the redemption will be settled) will be three Business Days following that Pricing Day, or, if later, the date (being a Business Day, or, if such date is not a Business Day, the immediately following Business Day) specified in the Redemption Notice. Redemption Notices lodged before 8.00 a.m. or after 2.30 p.m. (London time) (or, if earlier, 30 minutes prior to the applicable Notice Deadline) or on a day which is not a Pricing Day, shall be treated as void, save to the extent that the relevant Oil Major Company confirms to the Registrar that such Oil Major Company will redeem such Oil Contracts corresponding to the Oil Securities, which are the subject of such Redemption Notice, notwithstanding the time of submission of the Redemption Notice.

When Oil Securities are to be redeemed, the Issuer will require the redemption of the same aggregate Entitlement of Oil Contracts sold by one or more Oil Major Companies, subject to the Issuer's discretion to elect to satisfy Redemption Notices by transfer of the appropriate number of Oil Securities to one or more Applicants from Security Holders seeking redemption (such Oil Major Companies to be determined in the Issuer's absolute discretion, subject to the terms of the Oil Purchase Agreement and the Business Development Agreement).

Payment on the redemption of an Oil Security will be made by the Oil Major Company, in respect of its redemption of the corresponding Oil Contract from the Issuer, directly to the relevant Authorised Participant redeeming the Oil Security, via CREST.

If an Oil Company Default is subsisting in respect of an Oil Major Company (in respect of non-payment or insolvency thereof), then Security Holders who are not Authorised Participants will not have a right to redeem; however the Trustee may, at its discretion and shall if so directed in writing by Security Holders holding not less than 25 per cent. of the relevant class of Oil Securities then outstanding or pursuant to an Extraordinary Resolution passed at a duly called meeting of the Security Holders of that class, the Trustee having first been indemnified and/or secured to its satisfaction, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any obligations of the Issuer under the Trust Instrument and the security constituted by the Security Deed in respect of all Oil Securities or all Oil Securities of any affected class.

#### *Confirmation of Creations and Redemptions*

Within 30 minutes of any Application or Redemption Notice having been sent by an Authorised Participant to the Issuer, such Authorised Participant must try to contact the Issuer by telephone to seek confirmation of such Application or Redemption Notice (as the case may be). The Issuer's authorised representative for this purpose will generally be available from 8.00 a.m. to 2.00 p.m. and must be available from 2.00 p.m. to 2.30 p.m. and during that time (or earlier) the Issuer will confirm such Application and Redemption Notice, as the case may be.

The number of Oil Securities to be created or redeemed by the Issuer pursuant to an Application Form or Redemption Notice, respectively, will be that number of Oil Securities specified by the Authorised Participant in the applicable notice, except in the event that on the relevant Trading Day the limits on daily Creations and Redemptions, outlined under the headings "Right to Decline Applications" and "Redemptions Process" above, are exceeded. In such event, the Issuer will send to the Authorised Participant, prior to the time that is 60 minutes following the Notice Deadline for such Trading Day, a notice confirming the number of Oil Securities to be created or redeemed under the relevant Application or Redemption Notice, as the case may be. Trading in Oil Securities that are the subject of an Application may not commence until such Oil Securities have been delivered to the Authorised Participant via CREST on the third Business Day following the Creation Date.

#### *Creation and Redemption Limits*

Under the Oil Purchase Agreement with Shell Trading Switzerland there are limits, both daily and in aggregate, on the number of Oil Contracts (and therefore on the creation and redemption of corresponding Oil Securities) of each class that can be created or cancelled at any time. These are shown in the table below, expressed as aggregate Entitlement (being, for each class of Oil Security, the sum of Near Entitlement and Next Entitlement multiplied by the number of securities). The middle column shows the daily limits, with Creations and Redemptions on the same day of the same class netted off against each other, and the right hand Column shows the total aggregate Entitlement of Oil Securities of each class which may be outstanding, as currently agreed with Shell Trading Switzerland. The daily limits may be waived on any particular Trading Day by agreement with Shell Trading Switzerland.

<b>Class of Oil Security</b>	<b>Daily Limit (million)</b>	<b>Aggregate Limit (million)</b>
Brent 1mth	3.0	20.0
WTI 2mth	3.0	20.0
Brent 1yr	1.5	10.0
WTI 1yr	1.5	10.0
Brent 2yr	1.0	7.5
WTI 2yr	1.0	7.5
Brent 3yr	0.2	2.0
WTI 3yr	0.2	2.0

For the purposes of the creation and redemption limits, Application and Redemption Forms are dealt with in strict time priority by reference to the date and time of their receipt.

The creation and redemption limits may be amended by written agreement of the Issuer and Shell Trading Switzerland. If they are amended, the Issuer will make an announcement by RIS.

#### *Creation and Redemption Fees*

Creation Fees and Redemption Fees will only be payable by Authorised Participants on the creation and redemption of Oil Securities and not by investors who buy and sell Oil Securities on the secondary market, including on the London Stock Exchange. However, notwithstanding the foregoing, a Redemption Fee will be payable by a Security Holder who is not an Authorised Participant if such Security Holder has submitted a valid Redemption Notice on a Trading Day on which there are no Authorised Participants.

The Issuer will charge a Creation Fee to each Applicant for any single creation of Oil Securities, regardless of the number of Oil Securities being created.

The Issuer will also charge a Redemption Fee (including any applicable VAT) to each Security Holder who is also an Authorised Participant for any single redemption of Oil Securities, regardless of the number of Oil Securities being redeemed. No such fee shall be payable on the exercise of a compulsory redemption of Oil Securities by the Issuer or on a redemption required by the Trustee upon the occurrence of an Insolvency Event and/or an Oil Company Default. In the event that a Security Holder who is not an Authorised Participant submits a Redemption Notice in circumstances where there is no Authorised Participant, as described above, the Issuer will reduce the Redemption Fee to an amount equal to the Issuer's cost in satisfying such Redemption Notice, which will be charged by the Issuer by way of a deduction from the redemption proceeds due to such Security Holder.

No additional amounts will be charged by the Issuer to an Applicant or a Security Holder in respect of VAT payable in connection with Creation Fees or Redemption Fees.

The Issuer may vary the Creation Fee and Redemption Fee at any time after giving 30 days' written notice to Authorised Participants, to take into account any increase in the Issuer's costs.

#### *Right to satisfy Applications and Redemptions by Transfer*

Notwithstanding the provisions above, the Issuer may, in its discretion, elect to satisfy Applications and Redemption Notices by transfer of the appropriate number of Oil Securities to one or more Applicants from the Security Holder(s) seeking redemption. For this purpose, a Security Holder seeking redemption will be deemed to have authorised the Issuer to transfer such Security Holder's Oil Securities as are the subject of the Redemption Notice to a third party, on such Security Holder's behalf, provided that the amount payable by the Applicant must still be an amount equal to the relevant Creation Price (plus the Creation Fee) and the amount receivable by the Security Holder must still be the relevant Redemption Price (less the Redemption Fee) and the relevant Pricing Day and Redemption Date will be the date of the transfer.

#### **Security**

The Oil Purchase Agreement, the Oil Contracts, the Authorised Participant Agreements and all rights of the Issuer in relation to the Letter of Credit, to the extent applicable to each class of Oil Security, are

the subject of a first-ranking floating charge in favour of the Trustee under the applicable Security Deed to secure the obligations owed by the Issuer to the Trustee and the Security Holders in respect of the Oil Securities of that class.

### **Accounts**

The Issuer's financial statements are presented in US Dollars. The value of any assets and liabilities denominated in currencies other than US Dollars will be converted in US Dollars at rates quoted by independent sources.

The valuation of the assets and liabilities of the Issuer attributable to any Pool will be determined under the supervision of the Board.

Profits, gains, losses, costs, income and expenditure will be attributed between the Pools to the extent that they are not specifically attributable to any Pool.

The Oil Contracts constitute an asset of the Issuer. For the purposes of the valuation of the Issuer's assets, the Oil Contracts will be valued at the Price as at the date of valuation.

## PART 5

### DESCRIPTION OF THE OIL PURCHASE AGREEMENT AND THE OIL CONTRACTS

Each Oil Security is secured on a corresponding Oil Contract with corresponding terms and each time Oil Securities are created or redeemed the Issuer will purchase or redeem corresponding Oil Contracts with in aggregate the same Entitlement and Multiplier. Oil Contracts will be purchased by the Issuer under Oil Purchase Agreements with one or more Oil Major Companies. As the Issuer is a special purpose company, whose only assets attributable to the Oil Securities will be Oil Contracts and related contractual rights, the ability of the Issuer to meet its obligations on Oil Securities is wholly dependent on its ability to receive payment on Oil Contracts from Oil Major Companies. The Oil Purchase Agreement, the Oil Contracts provided thereunder and the Letter of Credit have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Oil Securities, and are each governed by English law. **Neither Oil Securities nor any payments in respect thereof are guaranteed by any Oil Major Company.**

#### Oil Purchase Agreement

##### *Agreement with Shell Trading Switzerland*

The Issuer has entered into an Oil Purchase Agreement (as amended) with Shell Trading Switzerland under which the Issuer can purchase and redeem on a continuous basis up to such number of Oil Contracts as detailed under the heading "Authorised Participants — Creation and Redemption Limits" in Part 4 (*Description of the Oil Securities*). The Oil Purchase Agreement entered into with Shell Trading Switzerland runs until at least July 2012, subject to earlier termination in accordance therewith, and as more fully described below. The Issuer hopes to procure an increase in the number and class of Oil Contracts available from Shell Trading Switzerland, and also to extend the term of the agreement, in the event that demand for Oil Securities necessitates such additional capacity.

The Oil Purchase Agreement entered into with Shell Trading Switzerland may be terminated by the Issuer immediately following the occurrence of an Oil Company Default in respect of Shell Trading Switzerland, and upon 30 days' notice over any three-month period the average aggregate Entitlement in respect of all outstanding Oil Contracts (other than in respect of Oil Contracts for which valid Redemption Notices have been duly given) is less than US\$300 million in 2008 and US\$500 million in 2009, provided that Shell Trading Switzerland may not give any such notice in respect of any such three-month period later than 45 following the end of such three-month period. Shell Trading Switzerland may also terminate the Oil Purchase Agreement immediately following the occurrence of an event of default in respect of the Issuer, provided that the event of default was not caused by a breach by Shell Trading Switzerland or a Credit Provider (or Substitute Credit Provider) of the respective obligations under the Oil Purchase Agreement, the Letter of Credit or a Substitute Credit.

Shell Trading Switzerland is required under the terms of the Oil Purchase Agreement to ensure that its obligations thereunder and under any Oil Contracts provided pursuant to the Oil Purchase Agreement have the benefit of credit support provided by a Credit Provider. The initial Credit Provider is Shell Treasury, which has entered into the Letter of Credit, as further described below.

##### *Letter of Credit*

Shell Treasury (in its capacity as initial Credit Provider) has issued and established the irrevocable Letter of Credit in favour of the Issuer, in support of Shell Trading Switzerland's obligations under the Oil Purchase Agreement.

In the event that Shell Trading Switzerland defaults in paying any amounts due under the Oil Purchase Agreement relating to the redemption of an Oil Contract, the Issuer is entitled under the Letter of Credit to demand payment of an amount equal to amounts due but unpaid under the Oil Purchase Agreement. The Letter of Credit will terminate upon the earlier of (i) the date of termination of the Oil Purchase Agreement; and (ii) the date on which there are no outstanding Oil Contracts created pursuant to the Oil Purchase Agreement, in each case unless terminated earlier upon the issuance of a Substitute Credit.

The Issuer's rights and obligations under the Letter of Credit are transferable to the Trustee or its nominee without the consent of Shell Treasury. The Letter of Credit is governed by English law.

The Credit Provider is permitted under the terms of the Letter of Credit to substitute the Letter of Credit with a Substitute Credit provided by it or a Substitute Credit Provider, provided that such substitute is an Affiliate of Shell Trading Switzerland and meets the criteria set out below (and subject to the satisfaction of certain further conditions precedent):

- (a) such company has a credit rating (long-term foreign currency) with Standard & Poor's or with Moody's which is at least equal or equivalent to the credit rating (long-term foreign currency) applied by Standard & Poor's or Moody's (as the case may be) to the Ultimate Shell Parent Company, as at the date of substitution by the Credit Provider to such company pursuant to the terms of the Letter of Credit; or
- (b) the obligations of such company in respect of the Substitute Credit are guaranteed by a company meeting the requirements in (a) above or by the Credit Provider; or
- (c) such entity is the successor, surviving or transferee entity of Credit Provider as a result of a Designated Event; or
- (d) such company (i) is solvent and able to meet in full the obligations of the Credit Provider as and when they may arise under the Letter of Credit (each to be conclusively certified to the Issuer and the Trustee in writing by any two directors of such company) and (ii) will not, as a result of such substitution, cause a suspension or cessation of the listing of the Oil Securities on the Official List.

#### *Business Development Agreement*

Shell Trading Switzerland, the Issuer, ETFSL and Shell Treasury have entered into the Business Development Agreement, pursuant to which the Issuer has granted to Shell Trading Switzerland certain rights of exclusivity (lasting for at least three years until 13 July 2010) in respect of the creation and redemption of Oil Contracts corresponding to Oil Securities. If at any time there is more than one Oil Major Company appointed in respect of any Pool, the Issuer may not, at any time during the term of the Business Development Agreement, purchase Oil Contracts from such other Oil Major Company unless at that time Shell Trading Switzerland's Commitment (as defined therein) is exceeded. Nor may the Issuer redeem any Oil Contract sold to it by Shell Trading Switzerland if at that time there remains outstanding any Oil Contract sold to it by any such other Oil Major Company.

The Business Development Agreement will last for a term at least as long as the Oil Purchase Agreement, though is subject to earlier termination in the event that (amongst other things) the Oil Purchase Agreement entered into by Shell Trading Switzerland and the Issuer is terminated.

#### *Other Oil Major Companies*

The Issuer hopes to be able to enter into Oil Purchase Agreements with other Oil Major Companies in the future to support the issuance of Oil Securities. A Pool may only include Oil Contracts provided by an Oil Major Company.

An Oil Major Company is a company which is any of:

- (a) a member of the Shell Group;
- (b) any of Exxon Mobil Corporation, BP p.l.c., Total S.A., Chevron Corporation, Eni S.p.A., or any subsidiary of any of them; and
- (c) any other company which (i) owns oil, the rights to oil or has assets linked to the oil price; and (ii) has a long-term senior debt credit rating of at least BBB- from Standard & Poor's and of at least Baa3 from Moody's provided (in the case of the relevant Pool) that the aggregate amount of Oil Contracts from such companies is, at the time of a creation, less than half the aggregate number of Oil Contracts in any Pool.

If the Issuer enters into a new Oil Purchase Agreement, the details of the agreement and information on the Oil Major Company will be published by the Issuer in a supplementary Prospectus. Thereafter, the Issuer will disclose, in each Pricing Supplement, the number and class of Oil Contracts outstanding from each Oil Major Company with which the Issuer has an Oil Purchase Agreement in effect.

Neither the Issuer nor the Trustee will be liable to the Security Holders for any loss arising from the appointment (or non-appointment) of an Oil Major Company.

## **Oil Contracts**

Eight classes of Oil Contracts may be purchased by the Issuer — with each Oil Contract corresponding to the terms of the relevant Oil Security for example, the Brent 1mth Oil Contracts which correspond to the terms of Brent 1mth Oil Securities.

If an Authorised Participant is able to agree with Shell or another Oil Major Company the pricing for the issue or redemption of Oil Securities and the creation or cancellation of the corresponding Oil Contracts (“**Agreed Pricing**”) the Issuer will create or cancel Oil Contracts at that pricing, but otherwise the creation or cancellation price per Oil Contract will be the Price of the corresponding Oil Security on the applicable Pricing Day (“**Settlement Pricing**”).

Whenever Settlement Pricing is used

- upon receipt by the Issuer of a valid Application, the Issuer will send to the relevant Oil Major Company a Creation Notice (together with a copy of the applicable Application) requesting that such Oil Major Company create Oil Contracts corresponding to the Oil Securities which are the subject of the Application. If a valid Creation Notice is lodged with an Oil Major Company after 8.00 a.m. and before 3.00 p.m. (London time) (or, if earlier, before the applicable Notice Deadline) on a Pricing Day, and unless any Creation limits set out in the relevant Oil Purchase Agreement relating to such Oil Major Company and such class has been and continue to be exceeded or such Creation Notice would have the effect of causing any such creation limit to be exceeded, a number of Oil Contracts shall be created by the Oil Major Company equal to:
  - (a) if the Creation Notice requires that the Oil Major Company create a whole number of Oil Contracts, that whole number; and
  - (b) if the Creation Notice requires that the Oil Major Company create such whole number of Oil Contracts as would correspond as close as possible to, but not more than, an amount in US Dollars specified in the notice, such whole number.
- within 30 minutes of the Notice Deadline (or, if later, within 30 minutes of any Creation Notice having been sent by the Issuer to an Oil Major Company), the Issuer must try to contact the Oil Major Company by telephone to seek confirmation by the Oil Major Company of such Creation Notice. Such Oil Major Company will confirm such Creation Notice except (a) where such Creation Notice does not attach a copy of the corresponding Application; (b) where such Creation Notice is not received by such Oil Major Company between 8.00 a.m. and the Notice Deadline; or (c) where any of the limits on creations of Oil Contracts of the relevant class set out in the Oil Purchase Agreement relating to such Oil Major Company have been and continue to be exceeded or to the extent that such Creation Notice would have the effect of causing any such Creation limit to be exceeded.

## **Separate Pools**

All Oil Securities of the same class will have recourse only to the Secured Property of the Pool attributable to that class and not to the Secured Property of any Pool attributable to any other class. The principal assets to be included in each Pool are the Oil Contracts of the applicable class purchased from one or more Oil Major Companies. The Issuer may create other classes of oil securities, based on different reference prices or having some other different characteristics, but any such securities will have recourse only to the property of the Pool attributable to such class and not to the assets attributable to any other class.

## **Corresponding Terms of Oil Contracts with Oil Securities**

Unless Agreed Pricing is used, the Creation Amount and Redemption Amount (each as defined in the Oil Purchase Agreement) of each class of Oil Contracts will be identical to the Creation Price and Redemption Price of the Oil Securities of the same class. Furthermore, the Pricing Day, the Creation Day and the Redemption Day (each as defined in the Oil Purchase Agreement) for Oil Contracts will be determined so as to match the Pricing Day, the Creation Day and the Redemption Day, respectively, for Oil Securities of the corresponding class. Under the Oil Purchase Agreement with Shell Trading Switzerland, a Market Disruption Day is determined in a substantially similar manner to the determination of a Market Disruption Day under the Programme. Accordingly, the Issuer will ensure that any day that is a Market Disruption Day in respect of any class of Oil Contracts for the purposes of the Oil Purchase Agreement with Shell Trading Switzerland is also a Market Disruption Day in respect of that class of Oil Securities for the purposes of the Programme.

If Agreed Pricing is used to determine the amount payable upon creation or termination of Oil Contracts, the same Agreed Pricing applies to the corresponding Oil Securities which are applied for or redeemed.

Payment for the creation of an Oil Security will be made by an Authorised Participant directly to the Oil Major Company from whom the corresponding Oil Contracts are being purchased by the Issuer into a designated CREST settlement bank account.

Payment on the redemption of an Oil Security will be made by the Oil Major Company, in respect of its redemption of the corresponding Oil Contract from the Issuer, directly to the relevant Authorised Participant redeeming the Oil Security, via CREST.

The number of Oil Contracts of each class purchased will generally match the number of Oil Securities in issue of that class. As discussed in Part 4 (*Description of the Oil Securities*) under “Consolidation and division of Oil Securities”, the Issuer has the right at any time to consolidate or divide a particular class or classes of Oil Securities.

### **Elections**

Upon an Application being lodged for new Oil Securities:

- the Issuer will only create new Oil Securities if it can purchase corresponding Oil Contracts from one or more Oil Major Companies;
- the Issuer may in its absolute discretion elect to satisfy such Application by the transfer of the appropriate number of Oil Securities from one or more Security Holders seeking redemption; and
- if the Issuer has an Oil Purchase Agreement enabling it to purchase corresponding Oil Contracts attributable to the relevant Pool for that class from more than one Oil Major Company, the Issuer will, subject to the terms of the Business Development Agreement or any other relevant agreement, decide in its absolute discretion from which Oil Major Company or Oil Major Companies to purchase the Oil Contracts.

Upon a Redemption Notice being lodged for Oil Securities, the Issuer will, subject to the terms of the Business Development Agreement or any other relevant agreement, decide in its absolute discretion which Oil Contracts (relating to the same class of Oil Securities) will be redeemed. If the Oil Contracts have been provided by more than one Oil Major Company, the Issuer may elect with which Oil Major Company or Oil Major Companies the Oil Contracts will be redeemed.

### **Daily Adjustment**

As mentioned under the heading “Pricing of Oil Securities — Daily Adjustment and Multiplier” in Part 7 (*Particulars of the Oil Securities*), the Management Expenses and Other Adjustment (reflecting the benefit to the Oil Major Company of receiving the funds when Oil Contracts are created and the benefit/cost of providing the oil price exposure through the Oil Contracts) will be reflected in an adjustment made to the Multiplier on each Trading Day. Each Oil Major Company will pay these amounts in cash to the Issuer.

Shell Trading Switzerland will not be obliged to pay Management Expenses to the Issuer where: (i) the Issuer has breached or persistently breached its obligations under an Oil Purchase Agreement or any other agreement it has entered into with Shell Trading Switzerland or an Affiliate of Shell Trading Switzerland and such breach has not been remedied or, in the case of a persistent breach, systems and controls reasonably acceptable to Shell Trading Switzerland or such Affiliate of Shell Trading Switzerland have not been put in place so as to ensure that the Issuer would not commit such breach thereafter; or (ii) an event of default has occurred in respect of the Issuer and such event of default is not remedied; or (iii) a Termination Redemption Date has been designated as a result of an event of default in respect of the Issuer. In such case Shell Trading Switzerland will retain the Management Expenses permanently outright and the Issuer will have no recourse to them. The Multiplier will in such circumstances continue to be adjusted as though the Management Expenses were still being paid.

The terms of further Oil Contracts from Shell Trading Switzerland or any other Oil Major Company will be agreed between the Issuer and the relevant Oil Major Company from time to time, and such Oil Contracts may have a greater or lesser Daily Adjustment. The Daily Adjustment for each class of Oil

Security will be the weighted average of the Daily Adjustment on all Oil Contracts attributable to the relevant Pool for that class.

### **Changes to Pricing Parameters**

As discussed in Part 4 (*Description of the Oil Securities*) under the above heading, circumstances may arise where the Issuer might wish to propose a change to any Pricing Parameter for one or more classes of Oil Security (for example, where an Oil Major Company proposes a corresponding change with respect to one or more corresponding classes of Oil Contract).

Either the Issuer or, in respect of Oil Contracts, an Oil Major Company may propose a change to any Pricing Parameter provided that the proposal does not (i) in the opinion of each of the Issuer and the Oil Major Company change the amount that would be payable on redemption of any Oil Contract to which such proposed change related, if such Oil Contract were redeemed on the day such proposal is implemented; and (ii) change the delivery months unless the Issuer and the Oil Major Company believe in good faith that the proposed replacement oil futures contract or delivery months are attracting a level of liquidity (in the underlying markets, including, but not limited to, the market on the relevant Exchange in which such replacement contract or delivery months are admitted to trading) which is sufficient to enable exposures in respect of Oil Securities and Oil Contracts to be hedged on an efficient and commercial basis.

## PART 6

### THE PROGRAMME

#### Overview of the Programme

The rights attached to the Oil Securities are summarised in Parts 4 (*Description of the Oil Securities*), 5 (*Description of the Oil Purchase Agreement and the Oil Contracts*), 6 (*The Programme*) and 8 (*Particulars of the Oil Securities*) of this document.

The Oil Securities are being made available by the Issuer for subscription only to Authorised Participants. Only Authorised Participants may require the Issuer to create and/or redeem Oil Securities. A Security Holder who is not also an Authorised Participant may only request redemption of those Oil Securities which they hold in the event that on any given Trading Day there are no Authorised Participants, and such Security Holder submits a valid Redemption Notice on such day.

The Oil Securities are available to be issued in Certificated Form or in Uncertificated Form in the CREST System. Persons who apply for Oil Securities and wish to hold their Oil Securities in Uncertificated Form should so signify on the Application Form and complete the relevant sections of that form in accordance with the instructions thereon. See "CREST" below.

#### Passporting

The Issuer has requested the FSA to provide the Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets), the Bundesanstalt für Finanzdienstleistungsaufsicht (the German Federal Financial Supervisory Authority), the Autorité des Marchés Financiers (France Authority for the Financial Markets) and the Commissione Nazionale per le Società e la Borsa (CONSOB) with a certificate of approval attesting that this Prospectus has been drawn up in accordance with Directive 2003/71/EC. The Issuer may request the FSA to provide competent authorities in other EEA Member States with such certificates, whether for the purposes of making a public offer in such Member States or for admission to trading of all or any Oil Securities or a regulated market therein or both.

Brent 1mth Oil Securities and WTI 2mth 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. Brent 1mth Oil Securities and WTI 2mth Oil Securities have also been admitted to trading on the Official Market (Amtlicher Markt) of the Frankfurt Stock Exchange since 30 October 2006, the Eurolist of Euronext Paris SA since 12 February 2007 and the ETFplus market of the Borsa Italiana since 20 April 2007.

No application has been or is currently being made for the New Securities to be admitted to listing or trading on any exchange or market outside the UK but the Issuer may cause such application to be made in respect of the New Securities of any or all classes on any such exchanges or markets in its discretion.

#### Procedure for Application

Only Authorised Participants may make an Application. An Authorised Participant who wishes to apply for Oil Securities should complete the Application Form in accordance with the instructions thereon and the terms of the relevant Authorised Participant Agreement and send it to the Registrar in accordance with such terms.

For those Applicants who wish to hold their Oil Securities in Certificated Form, certificates in respect of the Oil Securities will be dispatched within ten Business Days of the Oil Securities being issued. For those Applicants who desire to hold their Oil Securities in Uncertificated Form, the relevant CREST account will be credited on the day on which the Oil Securities are issued against payment. The Issuer considers it preferable that Oil Securities be held in Uncertificated Form. Notwithstanding any other provision in this document, the Issuer reserves the right to issue any Oil Securities in Certificated Form. In normal circumstances this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Registrar in connection with CREST. This right may also be exercised if the correct details (such as participant ID and member account details) are not provided as requested on the Application Form. No temporary documents of title will be issued and, pending despatch of security certificates, transfers will be certified against the register.

By completing and delivering an Application Form the Applicant confirms that in making the application:

- (a) it is not relying on any information or representation other than such as may be contained in this document;
- (b) that no person responsible solely or jointly for this document or any part of it shall have any liability for any information or representation not contained in this document;
- (c) it is an Authorised Person, an Exempt Person or an Overseas Person;
- (d) it understands that the Oil Securities are direct, limited recourse obligations of the Issuer alone; and
- (e) it understands that the obligations of the Issuer under the Oil Securities are not guaranteed by Shell Trading Switzerland, Shell Treasury or any member of the Shell Group.

Further details on new issues are set out in Part 4 (*Description of the Oil Securities*).

### **Subscription for Oil Securities**

All Application Moneys for Oil Securities must be paid through CREST in accordance with the procedures set out in the Application Form and the terms of the relevant Authorised Participant Agreement.

The Oil Securities in respect of which the Application has been made will not be issued until the Issuer has purchased the Oil Contracts required to be purchased with the Application Moneys for that Application.

### **Register**

The Registrar will maintain the Register in Jersey.

### **Settlement**

#### *CREST*

The Issuer is a participating issuer in CREST, a paperless multi-currency electronic settlement procedure enabling securities (including debt securities) to be evidenced otherwise than by written instrument, and transferring such securities electronically with effective delivery versus payment and the Oil Securities are participating securities. Accordingly, to the extent that the Oil Securities are issued in Uncertificated Form, settlement of transactions in the Oil Securities will take place within the CREST system.

#### *Settlement and Delivery on the Eurolist by Euronext Amsterdam*

All Oil Securities traded on Euronext Amsterdam are eligible for settlement in the systems of Euroclear Bank Brussels and Euroclear NIEC (*Euroclear Nederlands Interprofessioneel Effecten Centrum*), the Euroclear Dutch Interprofessional Securities Centre.

#### *Settlement and Delivery on the Frankfurt Stock Exchange*

For the purpose of good delivery of the Oil Securities on the Frankfurt Stock Exchange, Clearstream Banking Aktiengesellschaft (“Clearstream”) will issue, for each series and the relevant number of Oil Securities, a Global Bearer Certificate (each a “Global Bearer Certificate”) in the German language created under German law (“Collective Safe Custody”). Global Bearer Certificates have been issued in respect of the Brent 1mth and WTI 2mth Oil Securities. The Global Bearer Certificates have the following German ISIN Codes:

<b>Class of Oil Security</b>	<b>ISIN</b>
Brent 1mth	DE000A0KRKM5
WTI 2mth	DE000A0KRKN3

A non-binding English language translation of the conditions of the Global Bearer Certificates is set out in Part 8 (*Global Bearer Certificates*) and the definitive German language text is annexed hereto in Annexes 1 and 2.

For each Global Bearer Certificate, the relevant number and class of Oil Securities will be registered in the name of Vidacos Nominees Limited, London, England (the “Nominee”) in the relevant Register of Security Holders and credited to a separate safe custody account of Clearstream with Citibank N.A., London, England (the “Custodian”). The safe custody accounts assigned to the Oil Securities (the “Safe Custody Account”) will be designated “Clearstream Banking Aktiengesellschaft (Clearstream) — Special Safe Custody Account for Oil Securities Global Bearer Certificate Brent Oil” and “Clearstream Banking Aktiengesellschaft (Clearstream) — Special Safe Custody Account for Oil Securities Global Bearer Certificate WTI Oil” respectively.

In accordance with the conditions governing each Global Bearer Certificate:

- each co-owner thereof will be entitled, at his expense, to demand at any time that Clearstream arrange for the registration of the co-owner or a third party designated by him, in the relevant Register of Security Holders of the number and class of Oil Securities corresponding to his co-ownership share or any portion thereof in the Global Bearer Certificate of the same class; and
- any registered holder of Oil Securities of any class will be entitled, at his expense, to have his Oil Securities delivered to the Custodian for crediting to the Safe Custody Account against a corresponding co-ownership share in the Global Bearer Certificate of the relevant class.

Whenever the number of Oil Securities represented by the Global Bearer Certificate of either class changes (as a result, for example, of deliveries to the Safe Custody Account, withdrawals from the Safe Custody Account or issues or redemptions of Oil Securities), Clearstream will amend the relevant Global Bearer Certificate accordingly.

Unless otherwise agreed, the Issuer will treat the Nominee as one single security holder so far as fractional rights and entitlements are concerned.

#### *Cash Payments and Exercise of Subscription Rights and Other Rights*

Cash payments are credited to Clearstream’s cash account with the Custodian and paid by Clearstream to the respective co-owners. Any subscription rights or other rights and any fractional rights relating to the Oil Securities in the Safe Custody Account will be held by Clearstream at the disposal of HSBC Trinkaus & Burkhardt AG (the “**Bank**”) of Königsallee 21/23, 40212 Düsseldorf, Federal Republic of Germany. Upon the request of the Bank, Clearstream will give instructions to the Custodian for the exercise, purchase or sale of such subscription rights, other rights or fractional rights. In case of any flow of cash amounts resulting out of such transactions, Clearstream will without delay inform the Bank by fax of the net proceeds or the net costs, respectively, and the related value date. The net proceeds or the net costs, respectively, must be credited or debited to the Bank’s cash account with Clearstream or as otherwise agreed between Clearstream and the Bank.

#### *Clearstream Banking AG*

Clearstream is a company that was incorporated on 12 July 1949 in Frankfurt under the laws of the Federal Republic of Germany.

Clearstream is a regulated credit institution under the German Banking Act and licensed as the German Central Securities Depository pursuant to the German Securities Deposit Act, i.e. a professional depository that holds securities for its customers and facilitates the clearance and settlement of securities transactions among them through electronic book-entry transfers between their accounts, thereby eliminating the need for physical movement of the securities. Clearstream also provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Clearstream’s customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Clearstream conducts its business in the legal form of a German stock corporation (Aktiengesellschaft), registered in the commercial register at the local court in Frankfurt under number HRB 7500, and with registered office at Neue Börsenstraße 1, D60487 Frankfurt am Main, Federal Republic of Germany.

#### *Settlement and Delivery on the Eurolist of Euronext Paris SA*

All Oil Securities traded on Euronext Paris SA will be recorded in the Register in the name of Euroclear France or another Euroclear company and held beneficially for persons who have bought through

Euronext Paris SA. For those persons Euroclear will maintain its own record of holders (“**French sub-register**”). All Oil Securities traded on Euronext Paris SA will be settled and cleared through the normal Euroclear systems. Market-makers and other account holders at Euroclear will be permitted to transfer securities between the Register and the French sub-register and any other sub-registers applicable to other markets which the Oil Securities may be admitted to trading, and thereby be able to move securities between the London Stock Exchange, such other markets and Euronext Paris SA.

*Settlement and Delivery on the ETFplus market of the Borsa Italiana s.p.a.*

All Oil Securities traded on the Borsa Italiana s.p.a. will be recorded in the Register in the name of Monte Titoli s.p.a. and held beneficially for persons who have bought through the Borsa Italiana s.p.a. For those persons Monte Titoli s.p.a. will maintain its own record of holders (“**Italian sub-register 11**”). All Oil Securities traded on the Borsa Italiana s.p.a. are eligible for settlement through the normal Monte Titoli s.p.a. settlement systems on the deposit accounts opened with Monte Titoli s.p.a. Market-makers and other account holders at Monte Titoli s.p.a. will be permitted to transfer securities between the Register and the Italian sub-register and any other sub-registers applicable to other markets to which the Oil Securities may be admitted to trading, and thereby be able to move securities between the London Stock Exchange, such other markets and Monte Titoli s.p.a.

### **UCITS and CIS**

The Issuer has been advised that the Brent 1mth Oil Securities and WTI 2mth Oil Securities do not constitute units in a collective investment scheme and will constitute transferable securities. The FSA has confirmed its agreement to this analysis. The Issuer has also been advised that, as transferable securities, the Brent 1mth Oil Securities and WTI 2mth Oil Securities are permitted investments for UCITS Schemes, although whether or not an investment in these classes of Oil Securities is an appropriate or permitted investment for any particular UCITS Scheme will depend on a number of factors, including the UCITS Scheme’s own constitution, investment objectives and risk profile. The FSA has confirmed that this represents its view and that, in the FSA’s view, this is not affected by the fact that these classes of Oil Securities may also be contracts for differences.

The Issuer has not sought confirmation from the FSA as to whether it agrees that the same analysis applies to the Brent 1yr Oil Securities, WTI 1yr Oil Securities, Brent 2yr Oil Securities, WTI 2yr Oil Securities, Brent 3yr Oil Securities and WTI 3yr Oil Securities. However given that all Oil Securities have the same structure, the Directors believe that the analysis provided for the Brent 1mth Oil Securities and WTI 2mth Oil Securities is also applicable to the other six Oil Securities.

### **Money Laundering Regulations**

The verification of identity requirements of Jersey’s anti-money laundering laws and regulations and/or any subsequent equivalent legislation will apply to the Programme and verification of the identity of the Authorised Participants for Oil Securities may be required. The anti-money laundering laws and regulations of other jurisdictions may also apply to the Programme and verification of the identity of the Authorised Participants.

By lodging an Application Form, each Authorised Participant confirms that it is subject to the Money Laundering (Jersey) Order 1999 (as amended from time to time) (in relation to Jersey), the Money Laundering Regulations 2003) (in relation to the UK) and/or any other applicable anti-money laundering laws and regulations and/or undertakes to provide such other evidence of identity as is required by the Issuer at the time of lodging the Application Form, at the absolute discretion of the Issuer, at such specified time thereafter as may be requested to ensure compliance with the Money Laundering (Jersey) Order 1999, the Money Laundering Regulations 2003 and/or any other applicable legislation.

The Registrar is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any Authorised Participant and whether such requirements have been satisfied. Neither the Issuer nor the Registrar shall be responsible or liable to any person for any loss or damage suffered as a result of the exercise of their discretion hereunder.

No Application will be accepted by the Issuer unless evidence of such Authorised Participant’s identity satisfactory to the Issuer and its agents is provided.

### **Oil Securities not to be offered to the public in France**

Prior to the listing of the Oil Securities on the Eurolist of Euronext Paris SA (a regulated market):

- (i) the Oil Securities may not be offered or sold directly or indirectly by way of a public offering (an *appel public à l'épargne*) in France, as defined in Article L.411-1 of the *Code Monétaire et Financier*;
- (ii) the Oil Securities may not be offered or sold directly or indirectly to the public in any EEA State, except that an offer of Oil Securities may be made to the public in an EEA State:
  - (a) for a period of 12 months (only in Germany where the offer starts within) from the date the Prospectus is (i) published following approval by the competent authority in that EEA State or (ii) approved in another EEA State and notified to the competent authority in that EEA State, all in accordance with Directive 2003/71/EC; or
  - (b) at any time in circumstances in which a Prospectus is not required to be published pursuant to Article 3 of Directive 2003/71/EC; and
- (iii) copies of the Prospectus may not be distributed to the public in France except to “qualified investors” trading for their own account or to a limited circle of investors as defined in Article L.411-2 of the *Code Monétaire et Financier*.

For the purposes of this paragraph, an “offer of Oil Securities to the public” in relation to any Oil Securities in any EEA State means the communication in any form and by any means of sufficient information on the terms of the offer and the Oil Securities to be offered so as to enable an investor to decide to purchase or subscribe the Oil Securities, as the same may be varied in that EEA State by any measure implementing the Directive 2003/71/EC.

## PART 7

### PARTICULARS OF THE OIL SECURITIES

The issue of up to 500,000,000 Brent 1mth Oil Securities (each having a Principal Amount of US\$5.00) and up to 500,000,000 WTI 2mth Oil Securities (each having a Principal Amount of US\$5.00) of the Issuer were authorised pursuant to a resolution of the Board passed on 8 July 2005, and the Brent 1mth Oil Securities and the WTI 2mth Oil Securities are constituted by a trust instrument (the “Trust Instrument”, which expression includes any further deeds or documents supplemental thereto from time to time) governed by English law dated 13 July 2005 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “Trustee”) (as amended) and in each case secured by a security deed governed by English law dated 13 July 2005 between the Issuer and the Trustee.

The issue of the New Securities of each class was authorised pursuant to a resolution of the Board passed on 16 July 2007 and the New Securities of each class are constituted by the Trust Instrument and in each case are secured by a security deed governed by English law dated 20 July 2007 between the Issuer and the Trustee.

The Trustee acts as trustee for the Security Holders.

The following are the conditions applicable to the New Securities, and with effect from 31 August 2007, the conditions applicable to the Brent 1mth Oil Securities and the WTI 2mth Oil Securities.

#### A. THE CONDITIONS

“The Oil Securities are undated, limited recourse, secured oil securities of ETFS Oil Securities Limited (the “**Issuer**”) and are constituted by, are subject to and have the benefit of, a trust instrument (the “**Trust Instrument**”) dated 13 July 2005, a supplemental trust instrument dated 24 April 2006 and a second supplemental trust instrument dated 20 July 2007 between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee (the “**Trustee**”) for the holders of Oil Securities (the “**Security Holders**”) and are governed by English law.

The Security Holders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Trust Instrument and the Security Deeds (as defined below) and the following Conditions:

#### 1. DEFINITIONS

In these Conditions, the following expressions have the following meanings:

“**Affiliate**” means with respect to any person, entity or organisation, any other person, entity or organisation which directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, entity or organisation; and for this purpose, “control” means the direct or indirect ownership of fifty per cent. or more in aggregate of voting capital”;

“**Aggregate Redemption Amount**” shall have the meaning given in Condition 6.4;

“**Authorised Participant**” means a person which has entered into an Authorised Participant Agreement with the Issuer in relation to Oil Securities;

“**Authorised Participant Agreement**” means a written agreement between the Issuer and another person under which such person is appointed to act as an “Authorised Participant”, market maker, distribution agent or in a substantially similar function in relation to Oil Securities and if such agreement is subject to conditions precedent, provided that such conditions have been satisfied;

“**Available Pricing Day**” means, in respect of a Month, a Pricing Day falling after any Deferred Roll Days in that Month;

“**Brent Contract**” means a futures contract for Brent blend crude oil which is a “Contract” for the purpose of the Regulations of ICE Futures;

“**Brent 1mth Oil Securities**” means Brent class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“Brent 1yr Oil Securities”** means Brent 1yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“Brent 2yr Oil Securities”** means Brent 2yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“Brent 3yr Oil Securities”** means Brent 3yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“Brent 1mth Pool”** means the separate fund or pool created by the Company to which the Brent 1mth Oil Securities are attributable;

**“Brent 1yr Pool”** means the separate fund or pool created by the Company to which the Brent 1yr Oil Securities are attributable;

**“Brent 2yr Pool”** means the separate fund or pool created by the Company to which the Brent 2yr Oil Securities are attributable;

**“Brent 3yr Pool”** means the separate fund or pool created by the Company to which the Brent 3yr Oil Securities are attributable;

**“Brent-referenced Oil Securities”** means Brent 1mth Oil Securities, Brent 1yr Oil Securities, Brent 2yr Oil Securities and Brent 3yr Oil Securities;

**“Business Day”** means a Day (other than a Saturday or a Sunday) on which banks are open for the transaction of general business in London;

**“CFTC”** means the US Commodity Futures Trading Commission;

**“class”** means a class of Oil Contracts or a class of Oil Securities, as applicable, which at the date hereof comprises the following classes: Brent 1mth class, Brent 1yr class, Brent 2yr class, Brent 3yr class, WTI 2mth class, WTI 1yr class, WTI 2yr class and WTI 3yr class;

**“Closing Range”** means in respect of a Relevant Month Contract for a WTI Oil Contract on a Trading Day, the final two minutes of trading during the Regular Trading Hours trading session on the floor of NYMEX in New York in that Relevant Month Contract;

**“Controller”** means, in relation to any company, a person who;

- (a) holds 10 per cent. or more of the shares in such company
- (b) is able to exercise significant influence over the management of such company by virtue of his shareholdings in such company;
- (c) holds 10 per cent. or more of the shares in a parent undertaking of such company;
- (d) is able to exercise significant influence over the management of the parent undertaking of such company;
- (e) is entitled to exercise, or control the exercise of, 10 per cent. or more of the voting power in such company;
- (f) is able to exercise significant influence over the management of such company by virtue of his voting power in such company;
- (g) is entitled to exercise, or control the exercise of, 10 per cent. or more of the voting power in the parent undertaking of such company; or
- (h) is able to exercise significant influence over the management of the parent undertaking of such company by virtue of his voting rights;

**“CREST”** means the system of paperless settlement of transfers and the holding of securities in Uncertificated Form administered by CRESTCO Limited”;

**“Daily Adjustment”** means, for a class of Oil Securities *i* on Trading Day *t*,  $A_{(i,t)}$  calculated in accordance with Condition 5;

**“Daily Adjustment Day”** means, in respect of all classes of Oil Securities, for any calendar year, a Trading Day as notified by ICE Futures to participants on the ICE Futures Market as at 1 January in that year;

**“Day”** means calendar day;

**“December Contract”** means any Brent Contract or WTI Contract specified as maturing in December by the Relevant Exchange (and **“December Brent Contract”** and **“December WTI Contract”** shall be construed accordingly);

**“Defaulted Obligation”** means the failure of the Issuer to make or procure any payment in respect of the Redemption of any Oil Securities when due, and such failure is not remedied within 48 hours of receipt of notice requiring remedy of the same;

**“Deferred Roll Day”** means, in respect of a Month, a Roll Day which has been deferred to such Pricing Day by operation of Condition 7 from any previous Month in the same Roll Year;

**“Effective Date”** means:

- (a) for Brent 1mth and WTI 2mth Oil Securities, 31 August 2007 (the **“Second Effective Date”**); and
- (b) for all other classes of Oil Securities, the date of the Second Supplemental Trust Instrument (the **“First Effective Date”**);

**“Entitlement”** means, in respect of any Oil Security of class i on Pricing Day t, the sum of the Near Entitlement and the Next Entitlement for such class on such day;

**“Entitlement Determination Day”** means a Trading Day on which at 8 a.m. it is the case that:

- (i) under Conditions 7.2 or 7.4 the Near Entitlement or Next Entitlement for a previous Pricing Day is required to be determined by an Expert; and
- (j) such Near Entitlement or Next Entitlement has not been determined;

**“Expert”** has the meaning given to it in Condition 7.2;

**“Extraordinary Resolution”** means in respect of the any one or more classes of Oil Securities, a resolution passed at a meeting of the holders of such class or classes duly convened and held in accordance with the provisions contained in the Trust Instrument and carried by a majority consisting of not less than three fourths of the persons voting on it upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three fourths of the votes given on such poll;

**“First Adjusted Roll Day”** has the meaning given to it in Condition 7.1;

**“Fund Size”** means, in respect of Oil Securities of class i on Trading Day t, the product of the Price and the number of Oil Securities of that class in existence at the close of such Trading Day;

**“ICE Futures”** means ICE Futures or its successor;

**“ICE Futures Market”** means the market for Brent crude oil futures operated by ICE Futures;

**“Insolvency Event”** means any proceedings being commenced or order being made by any competent court for, or any resolution being passed by the Issuer to apply for, a winding-up or dissolution of the Issuer (other than an amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or proceedings for winding-up or dissolution which are being contested in good faith and are discharged within 20 Business Days) or any application being made or other steps being taken for the appointment of an administrator or similar or analogous official in relation to the Issuer, or any appointment being made of a receiver, administrative receiver, administrator or similar official in relation to the Issuer or its assets or any distress or execution being levied or enforced upon or sued out against, or any encumbrance (other than the Trustee) taking possession of all, or substantially all, of the assets of the Issuer and any other analogous or similar proceedings or events occurring in any jurisdiction or the Issuer ceasing or threatening to cease to carry on its business or being, or being deemed to be, unable to pay its debts as they become due;

**“Last Remaining Trading Day”** means:

- (a) for Brent 1mth and WTI 2mth Oil Securities, in respect of any Roll Period, the last Trading Day when the contract which was the Near Contract as at the first Trading Day of that Roll Period is permitted to be traded on the ICE Futures Market or NYMEX Market, as applicable; and
- (b) for all other classes of Oil Security, in respect of any Roll Year, the last Trading Day when the contract which was the Near Contract as at the first Trading Day of that Roll Year is permitted to be traded on the ICE Futures Market or NYMEX Market, as applicable;

**“Last Scheduled Roll Day”** means for Oil Securities of any class other than Brent 1mth and WTI 2mth, as of any Trading Day in a Roll Year, the Day which would be the last Roll Day in that Roll Year for such class if there were no Market Disruption Days after such Trading Day;

**“Letter of Credit”** means (a) a standby letter of credit issued by a Letter of Credit Provider in favour of the Issuer in respect of an Oil Major Company’s obligations to the Issuer under an Oil Purchase Agreement; and (b) any Substitute Credit;

**“Letter of Credit Provider”** means a provider of credit under any Letter of Credit or Substitute Credit;

**“Listing”** means the admission of the Oil Securities to the Official List becoming effective in accordance with the Listing Rules and admission of such securities to trading on the London Stock Exchange’s market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market);

**“Listing Rules”** means the listing rules of the UK Listing Authority from time to time, made under section 73A of the Financial Services and Markets Act 2000;

**“London Day”** means a calendar day in London, England;

**“London Stock Exchange”** means London Stock Exchange plc or its market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market), as the context may require;

**“Management Expenses”** means the management fee payable by an Oil Major Company to the Issuer pursuant to the relevant Oil Purchase Agreement;

**“Market Disruption Day”** means a Trading Day in respect of which a Market Disruption Event occurs;

**“Market Disruption Event”** means, in respect of any Trading Day, any of the following:

- (a) for Brent-referenced Oil Securities of any class:
  - (i) ICE Futures’ failing to determine, announce or publish the Settlement Price with respect to a Relevant Month Contract in respect of that class (or announcing that it will or expects to fail to do so) by midnight on that Trading Day; or
  - (ii) there being no Pricing Window for any such Relevant Month Contract during that Trading Day; and
- (b) for WTI-referenced Oil Securities of any class:
  - (i) NYMEX’s failing to determine, announce or publish the Settlement Price with respect to a Relevant Month Contract (or announcing that it will or expects to fail to do so) by midnight on that Trading Day;
  - (ii) NYMEX’s failing to announce or publish the time at which the Closing Range takes place before the occurrence of such Closing Range; and
- (c) for WTI 2mth Oil Securities only, NYMEX announcing or publishing on a Trading Day that the Settlement Price in respect of that Trading Day shall not be determined in accordance with or pursuant to NYMEX Rule 6.52(A);

**“Month”** means calendar month;

**“Moody’s”** means Moody’s Investors Service, Inc.;

**“Multiplier”** means the number determined in accordance with Condition 5.2;

**“Near Contract”** means:

- (a) for Brent 1 mth Oil Securities, in respect of any Trading Day in a Month:
  - (i) up to and including the end of the Roll Period in that Month, the Brent Contract in which trading ceases in that Month; and
  - (ii) after such Roll Period, the Brent Contract in which trading ceases in the immediately following Month;
- (b) for WTI 2 mth Oil Securities, in respect of any Trading Day in a Month:
  - (i) up to and including the end of the Roll Period in that Month, the WTI Contract in which trading ceases in the immediately following Month (the “**Second Month**”), and
  - (ii) after such Roll Period, the WTI Contract in which trading ceases in the Month immediately following the Second Month; and
- (c) for Brent 1yr Oil Securities and WTI 1yr Oil Securities on any Trading Day, up to and including the end of the Roll Year in which that Trading Day falls, the shortest dated December Brent Contract or, as the case may be, WTI Contract;
- (d) for Brent 2yr Oil Securities and WTI 2yr Oil Securities on any Trading Day up to and including the end of the Roll Year in which that Trading Day falls, the second shortest-dated December Brent Contract or, as the case may be, WTI Contract; and
- (e) for Brent 3yr Oil Securities and WTI 3yr Oil Securities on any Trading Day up to and including the end of the Roll Year in which that Trading Day falls, the third shortest-dated December Brent Contract or, as the case may be, WTI Contract;

“**Near Contract Price**” means, for Oil Securities of any class, the Settlement Price of the Near Contract for that class;

“**Near Entitlement**” means, for each Oil Security of class  $i$  on a Pricing Day  $t$ ,  $E_{1(i,r)}$  calculated in accordance with Condition 5.5, for Brent 1mth and WTI 2mth Oil Securities, and 5.6 for all other classes of Oil Securities, subject in each case to the provisions of Condition 7;

“**New Pool**” has the meaning given to it in Condition 10;

“**New Securities**” means Brent 1yr Oil Securities, Brent 2yr Oil Securities, Brent 3yr Oil Securities, WTI 1yr Oil Securities, WTI 2yr Oil Securities and WTI 3yr Oil Securities;

“**New Split Securities**” has the meaning given in Condition 10;

“**Next Contract**” means:

- (a) for Brent 1 mth and WTI 2 mth Oil Securities at any time the Brent Contract or, as the case may be, WTI Contract in which trading ceases in the Month immediately following that in which the corresponding Near Contract ceases trading; and
- (b) for Oil Securities of any other class, the December Brent Contract or December WTI Contract specified by the Relevant Exchange as maturing in the December immediately following that in which the corresponding Near Contract matures;

“**Next Contract Price**” means, for an Oil Security of any class the Settlement Price of the Next Contract for that class;

“**Next Entitlement**” means, for each Oil Security of class  $i$  on a Pricing Day  $t$ ,  $E_{2(i,r)}$  calculated in accordance with Condition 5.5, for Brent 1mth and WTI 1mth Oil Securities, and 5.6 for all other classes of Oil Securities, subject in each case to the provisions of Condition 7;

“**Notice Deadline**” means on a Trading Day, the earlier of 3 p.m. or, if in respect of that Trading Day the Relevant Exchange has notified market participants that trading will close early on the ICE Futures Market or NYMEX Market, as applicable, three hours before the commencement of the period by reference to which the Settlement Prices are to be calculated;

“**Number of Barrels**” means, in relation to a class of Oil Securities on any Trading Day, the number of Oil Securities of that class multiplied by the Entitlement for that class as at that Trading Day;

“**NYMEX**” means The New York Mercantile Exchange, Inc. of World Financial Center, One North End Avenue, New York, NY 10282-1101 or its successor;

**“NYMEX Market”** means the market for WTI Contracts operated by NYMEX;

**“Official List”** means the official list of the UK Listing Authority;

**“Oil Company Default”** means:

- (a) the occurrence of an Oil Company Insolvency Event;
- (b) an Oil Major Company failing to make any payment when due under an Oil Purchase Agreement, where such failure is not rectified within five Business Days following the Day on which the Oil Major Company receives notice of the failure from the Issuer in accordance with the terms of the relevant Oil Purchase Agreement; or
- (c) the expiration or termination of a Letter of Credit or Substitute Credit (other than where the Letter of Credit or Substitute Credit is replaced by a Substitute Credit) or the failing or ceasing of a Letter of Credit or Substitute Credit to be in full force and effect in each case other than in accordance with its terms (other than where the Letter of Credit or Substitute Credit is replaced by another Substitute Credit in full force and effect for such purpose) prior to the satisfaction by the relevant Oil Major Company of all its obligations under the Oil Purchase Agreement to which such Letter of Credit or Substitute Credit relates, without the written consent of the Issuer;

**“Oil Company Insolvency Event”** means, in respect of any Oil Major Company with which an Oil Purchase Agreement has been entered into by the Issuer and Oil Contracts are outstanding, any proceedings being commenced or order being made by any competent court for, or any resolution being passed by such Oil Major Company to apply for, a winding-up or dissolution of that Oil Major Company (other than an amalgamation, merger, consolidation, reorganisation or other similar arrangement or proceedings for winding-up or dissolution which are being contested in good faith and are discharged within 20 Business Days) or any application being made or other steps being taken for the appointment of an administrator in relation to that Oil Major Company, or any appointment being made of a receiver, administrative receiver, administrator or similar official in relation to that Oil Major Company or all, or substantially all, of its assets or any distress or execution being levied or enforced upon or sued out against, or any encumbrance taking possession of, the assets of that Oil Major Company and any other analogous or similar proceedings or events occurring in any jurisdiction or that Oil Major Company ceasing or threatening to cease to carry on business or being or being deemed to be, unable to pay its debts as they become due;

**“Oil Contract”** means an agreement purchased or to be purchased by the Issuer from an Oil Major Company under an Oil Purchase Agreement entitling the Issuer on Redemption or a sale back of the Oil Contract to the Oil Major Company to payment of an amount equal to the Redemption Amount in relation to any class of Oil Security on the relevant Pricing Day, and **“Brent 1mth Oil Contract”**, **“Brent 1yr Oil Contract”**, **“Brent 2yr Oil Contract”**, **“Brent 3yr Oil Contract”**, **“WTI 2mth Oil Contract”**, **“WTI 1yr Oil Contract”**, **“WTI 2yr Oil Contract”** and **“WTI 3yr Oil Contract”** shall be construed accordingly;

**“Oil Major Company”** means a company which is any of:

- (a) a member of the Shell Group;
- (b) any of Exxon Mobil Corporation, BP p.l.c., Total S.A., Chevron Corporation, Eni S.p.A., or any subsidiary of any of them; and
- (c) any other company which (i) owns oil, the rights to oil or has assets linked to the oil price and (ii) has a long term senior debt credit rating of at least BBB- from Standard & Poor's and of at least Baa3 from Moody's, provided in the case of the Brent 1mth Pool, Brent 1yr Pool, Brent 2yr Pool, Brent 3yr Pool, WTI 2mth Pool, WTI 1yr Pool, WTI 2yr Pool and WTI 3yr Pool that the aggregate amount of Oil Contracts from such companies at the time of entering into an Oil Purchase Agreement is less than half the aggregate amount of Oil Contracts in any Pool;

**“Oil Purchase Agreement”** means any agreement entered into by the Issuer and an Oil Major Company, pursuant to which Oil Contracts may be purchased and sold;

**“Oil Securities”** means undated limited recourse secured oil securities of any class of the Principal Amount of the Issuer to be issued pursuant to, and constituted by, the Trust Instrument;

**“Other Adjustment”** means any other adjustment specified by the Issuer in respect of Oil Securities;

**“outstanding”** means in relation to the Oil Securities, all the Oil Securities issued and in respect of which there is for the time being an entry in the Register other than:

- (a) an Oil Security which has been redeemed and cancelled pursuant to the Trust Instrument; and
- (b) an Oil Security which has been purchased and cancelled pursuant to the Trust Instrument;

PROVIDED THAT for the purpose of the right to attend and vote at any meeting of the Security Holders or any of them and certain other purposes of the Trust Instrument, Oil Securities (if any) which are for the time being held by, for the benefit of, or on behalf of, (A) the Issuer, (B) any Oil Major Company, (C) any holding company of the Issuer or an Oil Major Company, (D) any subsidiary of the Issuer or an Oil Major Company, (E) any individual Controller of the Issuer or an Oil Major Company or (F) any person controlled by any such persons listed in (A) or (E) above shall (unless and until ceasing to be so held) be deemed not to remain outstanding and accordingly the holders of such Oil Securities shall be deemed not to be Security Holders;

**“Payment Business Day”** means a Day (other than a Saturday or a Sunday) on which banks are open for the transaction of general business in London and New York;

**“Pool”** means a separate fund or pool created by the Issuer to which Oil Securities are attributable and in relation to Oil Securities of any class means the Pool to which Oil Securities of that class are attributable;

**“Price”** means in relation to an Oil Security of class *i* on Pricing Day *t*,  $PC_{(i,t)}$  calculated in accordance with Condition 5;

**“Pricing Day”** means, for an Oil Security of any class, a Trading Day for that class which is not a Market Disruption Day;

**“Pricing Parameter”** means in relation to Oil Securities of any class and the corresponding Oil Contracts:

- (a) in respect of Brent 1mth Oil Securities or WTI 2mth Oil Securities, the relevant delivery months for the Near Contract and Next Contract for that class (up to the fourth available delivery month);
- (b) in respect of Oil Securities of any other class, the relevant delivery months for the Near Contract and Next Contract in respect of that class;
- (c) the relevant Near Contract Price or Next Contract Price for that class;
- (d) the timing and duration of the Roll Period for that class or, if applicable, Roll Year;
- (e) where necessary or appropriate as a consequence of a change to any of the Pricing Parameters set out in (a), (b) or (c) above, any terms, formulae or calculation methods to be applied for determining the Price, Redemption Amount, any Near Entitlement or Next Entitlement, or any Daily Adjustment or Multiplier; and
- (f) the procedure or timetable for sending Pricing Notices;

**“Pricing Window”** means an uninterrupted period of at least 3 minutes’ trading in a Relevant Month Contract on the ICE Futures Market published or announced by ICE Futures to participants on the ICE Futures Market:

- (a) as the official “designated settlement period” for the purposes of the ICE Futures’ settlement price procedures for such Relevant Month Contract from time to time; or
- (b) in advance, as an extraordinary replacement for such official “designated settlement period” on any Trading Day;

**“Principal Amount”** means U.S.\$5.00;

**“Programme”** means the programme for the issuance of Oil Securities;

**“properly authenticated dematerialised instruction”** shall bear the meaning given to it in the Uncertificated Securities Regulations 2001;

**“Redemption”** means the redemption of an Oil Security in accordance with Condition 6 (and **“Redeem”** or **“Redeemed”** shall be constructed accordingly);

**“Redemption Amount”** means, in respect of a Redemption Day, and a class of Oil Security, in relation to a Redemption Notice the Price determined in accordance with Condition 5.1 multiplied by the number of Oil Securities being Redeemed and in relation to an Agreed Redemption Notice the amount specified as the Redemption Amount in such notice, in either case for that class of Oil Security on that Redemption Day;

**“Redemption Day”** means, in respect of an Oil Security, in relation to a Redemption Notice the Pricing Day on which such Redemption Notice was given or, in respect of a Redemption following the Termination Redemption Date, the Pricing Day on which such Redemption is effected;

**“Redemption Fee”** means the fee payable by a Security Holder on the Redemption of Oil Securities;

**“Redemption Instructions”** means the instructions provided by a Security Holder redeeming an Oil Security to the Registrar in a form approved by the Issuer;

**“Redemption Notice”** means a notice by a Security Holder, the Trustee or the Issuer exercising its right to require the Redemption of all or (in the case of a notice by a Security Holder) any of the Oil Securities held by such Security Holder pursuant to these Conditions, which in the case of such notice by a Security Holder shall contain its Redemption Instructions (provided that a Security Holder who is not an Authorised Participant will only be permitted to submit a Redemption Notice if, on the relevant Pricing Day, there are no Authorised Participants);

**“Redemption Obligations”** means the obligation of the Issuer to Redeem an Oil Security and make payment to the relevant Security Holder in accordance with these Conditions (provided that a Security Holder who is not an Authorised Participant will only be able to require Redemption of the Oil Securities held by such Security Holder if, on the Redemption Day, there are no Authorised Participants);

**“Register”** means the register of Security Holders kept and maintained by the Registrar;

**“Registrar”** means Computershare Investor Services (Channel Islands) Limited or such other person as may be appointed by the Issuer from time to time to maintain the Register and to receive and process applications for, and Redemptions of, Oil Securities;

**“Regulations”** means the Jersey Companies (Uncertificated Securities) (Jersey) Order 1999;

**“Relevant Exchange”** means, for each class of Oil Security, the futures exchange on which the Near Contract and Next Contract for that class of Oil Security is admitted to trading, being either ICE Futures or NYMEX;

**“Relevant Month Contract”** means, for each class of Oil Security on any Trading Day, the Near Contract and, unless the Next Entitlement is zero on that Trading Day, the Next Contract for that class;

**“Remaining Trading Days”** means, in respect of any Trading Day on that Trading Day for a class of Oil Securities, the Trading Days following that Trading Day up to and including the Last Remaining Trading Day for such class;

**“RIS”** means a Regulatory Information Service (as defined for the purposes of the Listing Rules) from time to time chosen by the Issuer;

**“Roll Day”** means any Pricing Day during a Roll Period;

**“Roll Period”** means, subject to the provisions of Condition 7:

- (a) for Brent 1mth Oil Securities and WTI 2mth Oil Securities, the first, second, third, fourth and fifth Pricing Days of each Month concluding on the earlier of the fifth Roll Day and the Last Remaining Trading Day, and
- (b) for all other classes of Oil Securities, the first and second Available Pricing Days in respect of the relevant Month;

**“Roll Year”** means, in the case of Oil Securities of any class other than Brent 1mth Oil Securities and WTI 2mth Oil Securities, the period beginning on the first Roll Day in December of any year for such class until the Last Remaining Trading Day for such Oil Securities of such class;

**“Secured Property”** means in respect of Oil Securities of any class, all rights of the Issuer under the corresponding Oil Purchase Agreement(s), Oil Contracts, the Authorised Participant Agreement(s) and

Letter(s) of Credit, and which are subject to the security created in favour of the Trustee pursuant to the Security Deed applicable to that class;

**“Security Deed”** means in respect of each Pool, the security deed pertaining to that Pool entered into between the Issuer and the Trustee;

**“Settlement Price”** means, in respect of a Pricing Day and a Brent Contract or WTI Contract, the official settlement price established and calculated by the Relevant Exchange in respect of that Pricing Day in respect of such Brent Contract or WTI Contract (as applicable);

**“Shell Group”** means the group of companies comprising the Affiliates of Shell Trading and Shell Treasury collectively;

**“Shell Trading”** means Shell Trading Switzerland A.G.;

**“Shell Treasury”** means Shell Treasury Dollar Company Limited;

**“Standard & Poor’s”** means Standard & Poor’s, a division of McGraw-Hill Companies, Inc.;

**“Substitute Credit”** has the meaning given to it in the corresponding Letter of Credit;

**“Substitute Credit Provider”** has the meaning given to it in the corresponding Letter of Credit;

**“Termination Redemption Date”** has the meaning given in Condition 6.4;

**“Total Fund Size”** means on a Trading Day, the aggregate sum of the Fund Sizes for each class of Oil Security at the close of such Trading Day;

**“Trading Day”** means any Day on which trading is permitted on the Relevant Exchange;

**“UK Listing Authority”** means the United Kingdom Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;

**“Uncertificated Form”** means recorded on the Register as being held in uncertificated form, title to which, by virtue of the Jersey Companies (Uncertificated Securities) (Jersey) Order 1999, may be transferred by means of CREST;

**“Uncertificated Notice of Meeting”** means a properly authenticated dematerialised instruction, and/or other instruction or notification, which is sent by means of CREST;

**“US Dollars”** means the lawful currency of the United States of America and references to US\$ shall be similarly construed;

**“WTI Contract”** means a futures contract for the purchase or sale of light “sweet” crude oil for future delivery in Cushing, Oklahoma and which is subject to the Rules of NYMEX;

**“WTI 1yr Oil Securities”** means WTI class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“WTI 2mth Oil Securities”** means WTI class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“WTI 2mth Oil Securities”** means WTI class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“WTI 2yr Oil Securities”** means WTI 2yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument;

**“WTI 2mth Pool”** means the separate fund or pool created by the Company to which the WTI 2mth Oil Securities are attributable;

**“WTI 1yr Pool”** means the separate fund or pool created by the Company to which the WTI Oil 1yr Securities are attributable;

**“WTI 2yr Pool”** means the separate fund or pool created by the Company to which the WTI 2yr Oil Securities are attributable;

“**WTI 3yr Pool**” means the separate fund or pool created by the Company to which the WTI 3yr Oil Securities are attributable; and

“**WTI-referenced Oil Securities**” means WTI 2mth Oil Securities, WTI 1yr Oil Securities, WTI 2yr Oil Securities and WTI 3yr Oil Securities.

## **2. STATUS OF OIL SECURITIES**

Oil Securities constitute direct and unconditional payment obligations of the Issuer, secured as set out in Condition 3 below, recourse in respect of which is limited in the manner described in Condition 3 below and which rank *pari passu* among themselves.

## **3. SECURITY AND LIMITED RECOURSE**

- 3.1 The obligations of the Issuer in respect of Oil Securities of each class are secured by a separate Security Deed in favour of the Trustee for the Security Holders by an assignment by way of security of the contractual rights of the Issuer under the Oil Purchase Agreement (to the extent applicable to that class) and a first ranking floating charge over all the Issuer’s rights in relation to the Secured Property of that class.
- 3.2 The Trustee and the Security Holders of any class of Oil Securities shall have recourse only to sums derived from the Secured Property relating to the relevant Pool. If, the Trustee (or any other secured party), having realised the same, the net proceeds are insufficient for the Issuer to make all payments which, but for the effect of this Condition, would then be due, the obligations of the Issuer will be limited to such net proceeds of realisation, neither the Trustee nor any person acting on its behalf shall be entitled to take further steps against the Issuer or any of its officers, agents or directors to recover any further sums and no debt shall be owed by the Issuer to any such person in respect of any such further sum. In particular, neither the Trustee nor any Security Holder shall be entitled to institute nor join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Issuer, nor shall they have any claim in respect of any sum arising in respect of the Secured Property for any other Pool or any other assets of the Issuer.

## **4. FORM AND TRANSFER**

- 4.1 Oil Securities are in registered form and are individually transferable.
- 4.2 Oil Securities may be held and transferred in Uncertificated Form by means of CREST in accordance with the Regulations. The Trustee may, without the consent of Security Holders, concur with the Issuer in making modifications to the provisions of the Trust Instrument in order to reflect changes in the Regulations or in the applicable law and practice relating to the holding or transfer of Oil Securities in Uncertificated Form.
- 4.3 The Issuer shall cause to be kept at its registered office, or at such other place outside the United Kingdom as the Trustee may agree, the Register for each class of Oil Securities showing the Principal Amount of the Oil Securities and the date of issue and any subsequent transfers and changes of ownership and the names and addresses of the Security Holders and the persons deriving title under them.

## **5. PRICING OF OIL SECURITIES**

### **Price of Oil Securities**

- 5.1 The Price for each class of Oil Security, on each Pricing Day for that class, shall be an amount (in US Dollars) calculated in accordance with the following formula:

$$PC_{(i,t)} = \{ P1_{(i,t)} \times E_{1(i,t)} + P2_{(i,t)} \times E_{2(i,t)} \} \times M_{(i,t)}$$

where:

i refers to the relevant class of Oil Security;

t refers to the applicable Pricing Day;

$PC_{(i,t)}$  is the Price of an Oil Security of class i on Pricing Day t;

$P1_{(i,t)}$  is the Near Contract Price, expressed in US Dollars per barrel of oil, applicable to an Oil Security for class i on Pricing Day t;

- $E_{1(i,t)}$  is the Near Entitlement applicable to an Oil Security of class i on Pricing Day t;
- $P_{2(i,t)}$  is the Next Contract Price, expressed in US Dollars per barrel of oil, applicable to an Oil Security for class i on Pricing Day t;
- $E_{2(i,t)}$  is the Next Entitlement applicable to an Oil Security for class i on Pricing Day t; and
- $M_{(t)}$  is the Multiplier for Trading Day t for Oil Securities of class i.

### Multiplier and Daily Adjustment

- 5.2 The Multiplier shall be precisely 1.0 on and from the Pricing Day on which the first Oil Contract of any class other than Brent 1mth or WTI 2mth is issued and shall be adjusted on each Daily Adjustment Day in accordance with the formula set out below (and, for the avoidance of doubt, the Multiplier as so adjusted shall be applied in respect of Brent 1mth or WTI 2mth Oil Securities on and from the Second Effective Date):

$$M_{(i,t)} = M_{(i,t-1)} \times A_{(i,t)}$$

where:

- t is the number of Daily Adjustment Days in a calendar year in which t falls for class i;
- $M_{(i,t)}$  is the Multiplier for Daily Adjustment Day t for class i; and
- $A_{(i,t)}$  is the Daily Adjustment on Daily Adjustment Day t for class i.

- 5.3 The Daily Adjustment shall be calculated on each Daily Adjustment Day for each class of Oil Security in accordance with the following formula:

$$A_{(i,t)} = (1 \times F_{(i,t)})^{1/T}$$

where:

- t refers to the applicable Daily Adjustment Day for class i;
- $A_{(i,t)}$  is the Daily Adjustment on Daily Adjustment Day t, expressed as a number, for class i;
- $F_{(i,t)}$  is the Other Adjustment for class i less the Management Expenses for class i (whether or not any amount in respect of which is otherwise payable to the Issuer), expressed as a percentage per annum on Daily Adjustment Day t; and
- T is the number of Daily Adjustment Days in the calendar year in which the Trading Day t falls.

### Entitlement

- 5.4 (a) For Brent 1mth and WTI 2mth Oil Securities, the Near Entitlement on the Second Effective Date shall be:
- (i) for Brent 1mth Oil Securities, the “Brent Entitlement” calculated on the Second Effective Date divided by the Multiplier on such day; and
  - (ii) for WTI 2mth Oil Securities, the “WTI Entitlement” calculated on the Second Effective Date divided by the Multiplier on such day;
- (b) For Brent 1 mth and WTI 2 mth class Oil Securities, the Next Entitlement on the Second Effective Date shall be zero; and
- (c) for all other classes of Oil Securities, the Near Entitlement on the First Effective Date will be 0.3333333 and the Next Entitlement on the First Effective Date will be 0.6666667.
- 5.5 For Brent 1mth and WTI 2mth class Oil Securities, on each Roll Day during a Roll Period the Near Entitlement and the Next Entitlement shall be adjusted in accordance with the following formula from the Second Effective Date:

$$E_{1(i,r)} = E_{1(i,r-1)} - 1/5 \times E_{1(i,0)}$$

$$E_{2(i,r)} = E_{2(i,r-1)} + 1/5 \times E_{1(i,0)} \times P_{1(i,r)} / P_{2(i,r)}$$

where:

- i refers to the relevant class of Oil Security;

- $r$  is the number representing the position of the Roll Day in the ordered sequence of Roll Days in such Roll Period (so that for the third Roll Day, for example,  $r = 3$ );
- $E_{1(i,r)}$  is the Near Entitlement for class  $i$  on Roll Day  $r$ ;
- $E_{1(i,0)}$  is the Near Entitlement for class  $i$  on the day prior to such Roll Period commencing;
- $E_{2(i,r)}$  is the Next Entitlement for class  $i$  on Roll Day  $r$  (and  $E_{2(i,r-1)}$  on Roll Day 1 equals zero);
- $P_{1(i,r)}$  is the Near Contract Price for class  $i$  on Roll Day  $r$ ; and
- $P_{2(i,r)}$  is the Next Contract Price for class  $i$  on Roll Day  $r$ .

5.6 For all other classes of Oil Securities, on each Roll Day during a Roll Period the Near Entitlement and Next Entitlement shall be adjusted in accordance with the following formula:

$$E_{1(i,r)} = E_{1(i,r-1)} - \frac{1}{24} \times E_{1(i,Nov)}$$

$$E_{2(i,r)} = E_{2(i,r-1)} + \frac{1}{24} \times E_{1(i,Nov)} \times P_{1(i,r)} / P_{2(i,r)}$$

save that:

(a) on the Last Scheduled Roll Day of the Roll Year:

$$E_{1(i,r)} = 0,$$

$$E_{2(i,r)} = E_{2(i,r-1)} + E_{1(i,r-1)} \times P_{1(i,r)} / P_{2(i,r)}; \text{ and}$$

(b) on the Roll Day immediately before the Last Scheduled Roll Day,  $E_{1(i,r)}$  is the difference between  $E_{1(i,Nov)}$  and the aggregate of the Near Entitlements for each preceding Roll Day in that Roll Year;

where:

- $r$  is the number representing the position of the Roll Day in the ordered sequence of Roll Days in such Roll Year (so that for the third Roll Day, for example,  $r = 3$ );
- $E_{1(i,r)}$  is the Near Entitlement on Roll Day  $r$  for class  $i$ ;
- $E_{1(i,r-1)}$  = the Near Entitlement for class  $i$  on the Roll Day immediately before Roll Day  $r$ ;
- $E_{1(i,Nov)}$  is the Near Entitlement on the first Pricing Day after the last Roll Day of the most recent November Roll Period for class  $i$ ;
- $E_{2(i,r)}$  is the Next Entitlement on Roll Day  $r$  for class  $i$ ;
- $E_{2(i,r-1)}$  = the Next Entitlement for class  $i$  on the Roll Day immediately before Roll Day  $r$ ;
- $P_{1(i,r)}$  is the Near Contract Price on Roll Day  $r$  for class  $i$ ; and
- $P_{2(i,r)}$  is the Next Contract Price on Roll Day  $r$  for class  $i$ .

### **Rounding of Calculations**

5.7 Each Price, Multiplier, Daily Adjustment, Near Entitlement and Next Entitlement shall be calculated to seven places of decimals with 0.00000005 rounded upwards.

## **6. REDEMPTION OF OIL SECURITIES**

### **6.1 Redemption**

- 6.1.1 Each Oil Security carries the right on Redemption to payment of the higher of (i) the Principal Amount for that class, and (ii) the Price of that class of Security on the applicable Pricing Day determined in accordance with Condition 5.1.
- 6.1.2 If an Authorised Participant wishes to Redeem Oil Securities at a fixed price rather than by reference to the Settlement Price on the Pricing Day, the Issuer may agree a Redemption Amount with the Authorised Participant provided it can sell the corresponding Oil Contracts back to the relevant Oil Major Company at an equivalent price.
- 6.1.3 A Security Holder who is also an Authorised Participant may (subject as provided herein) on any Trading Day require the Redemption of all or part of its holding of Oil Securities by lodging with the Registrar a Redemption Notice in the form prescribed by the Issuer and in accordance with

these Conditions. A Security Holder which is not also an Authorised Participant may only require the Issuer to Redeem all or any part of its holdings of Oil Securities if, on any Trading Day, there are no Authorised Participants, and the Security Holder submits a valid Redemption Notice on such day.

6.1.4 A Redemption Notice shall apply only in respect of the Pricing Day on which it is sent.

6.1.5 A Redemption Notice shall be invalid in respect of a given class of Oil Security:

- (a) if it is given (or deemed to have been given) in respect of a Market Disruption Day for that class;
  - (b) if it is given in respect of an Entitlement Determination Day for that class; or
  - (c) if it relates to a Pricing Day for that class after a Termination Redemption Date has been declared under the corresponding Oil Purchase Agreement;
  - (d) if it is given in respect of more than one class of Oil Security,
- and no Oil Security shall be Redeemed in respect of or under any such Redemption Notice.

6.1.6 Where a valid Redemption Notice is duly given and received by the Issuer, the Issuer shall redeem a number of Oil Securities of the relevant class equal to:

- (a) if the Redemption Notice requires that the Issuer redeem a whole number of Oil Securities of that class, that whole number; and
- (b) if the Redemption Notice requires that the Issuer redeem such whole number of Oil Securities of that class as would have an aggregate Redemption Amount as close as possible to, but not more than an amount in US Dollars specified in such Redemption Notice, such whole number.

6.1.7 The Issuer is not, however, required to Redeem more than such number of Oil Contracts as equals the aggregate Entitlement of 20,000,000 in respect of each of Brent 1mth Oil Securities and WTI 2mth Oil Securities, 10,000,000 in respect of each of Brent 1yr Oil Securities and WTI 1yr Oil Securities, 7,500,000 in respect of each of Brent 2yr Oil Securities and WTI 2yr Oil Securities or 2,000,000 in respect of each of Brent 3yr Oil Securities and WTI 3yr Oil Securities (or such other amount as may be determined by the Issuer and published through a RIS) on any one Redemption Date. If valid Redemption Notices are lodged in respect of a greater number of Oil Securities of any class, the Issuer may elect either to satisfy such Redemption Notices in full or otherwise to treat them as invalid to the extent of the excess. For the purposes of the above-mentioned Redemption limits, Redemption Notices will be dealt with in a strict time priority by reference to the date and time of their receipt by the Issuer.

6.1.8 The Issuer shall not be obliged to Redeem any Oil Securities where the relevant Oil Major Company has not confirmed a Redemption Notice in accordance with the relevant provisions of the relevant Oil Purchase Agreement.

6.1.9 A Redemption Notice:

- (a) must specify an account of such Security Holder into which the Issuer may make payment of the Redemption Price, inclusive of VAT (if any);
- (b) must, unless otherwise agreed with the Issuer, be accompanied by the Redemption Fee referred to in Condition 6.3); and
- (c) must provide (if such information and evidence has not already been so provided) such information and evidence as the Issuer and its Registrars may require to comply with the Money Laundering (Jersey) Order 1999, the Money Laundering Regulations 2003 and/or any other applicable anti-money laundering laws and regulations; and
- (d) is irrevocable once it has been delivered to the Registrar.

In order for a Redemption Notice to be valid, the Security Holder must deposit the Oil Securities to be Redeemed into an appropriate CREST account and give correct delivery versus payment instructions in accordance with the Redemption Notice or must otherwise deliver the Oil Securities to be redeemed to the Issuer in such manner as the Issuer may agree.

6.1.10 Redemption Notices lodged before 8.00 a.m. (London time) or after the Notice Deadline on a Pricing Day, or on a day which is not a Pricing Day shall be treated as void, save to the extent that the relevant Oil Major Company confirms to the Registrar that such Oil Major Company will

Redeem such Oil Contracts corresponding to the Oil Securities which are the subject of such Redemption Notice, notwithstanding the time of submission of the Redemption Notice.

- 6.1.11 Upon receipt by the Registrar of a valid Redemption Notice from a Security Holder in relation to any Oil Securities, the Issuer shall do all things within its power to give effect to the Redemption Instructions as required by these Conditions.

## 6.2 Payment of Redemption Amount

The Issuer will by 4.00 p.m. on the third Payment Business Day following the Redemption Day in respect of any Oil Security, pay the Redemption Amount for that Oil Security as specified in the applicable Redemption Notice in full cleared and immediately available funds.

## 6.3 Redemption Fee

- 6.3.1 Subject as provided below, it is a condition to the performance by the Issuer of the Redemption Obligations in respect of the Redemption of any Oil Securities, that the Security Holder of such Oil Securities pays to the Issuer the Redemption Fee in respect of such Redemption in accordance with this Condition 6.3.

6.3.2 On a Redemption of Oil Securities at the request of the Security Holder, a Redemption Fee shall be payable by such Security Holder to the Issuer of £500 (including any applicable VAT), regardless of the number of Oil Securities being Redeemed. In the event that there are no Authorised Participants on a Redemption of Oil Securities at the request of a Security Holder which is not also an Authorised Participant, the fee payable by such Security Holder to the Issuer will be reduced to an amount equal to the cost to the Issuer of satisfying such redemption request. No such fee is payable in the case of a compulsory Redemption of Oil Securities by the Issuer or the Trustee.

6.3.3 The Issuer shall be entitled to vary the amount of the Redemption Fee from time to time by giving not less than 30 days' notice of such variation to Authorised Participants. Such notice shall be given by publication through a RIS.

6.3.4 The Issuer may set off any amount payable to the Issuer in accordance with this Condition 6.3 by the holder of Oil Securities in respect of the Redemption Fee against the Redemption Amount payable by the Issuer to such holder.

## 6.4 Redemption following Termination

- (a) If an Oil Purchase Agreement is terminated by reason of an Oil Company Default, all outstanding Oil Securities of the corresponding class or classes shall be Redeemed on such date (the "**Termination Redemption Date**"), not being less than seven days following the Issuer giving notice of its intention to require such Redemption to each Security Holder. If, prior to the Termination Redemption Date, the Issuer has determined to divide the Pool or any Pools by allocating the Oil Purchase Agreement and all Oil Contracts of the relevant class purchased thereunder to the New Pool or New Pools in accordance with Condition 10, the redemption pursuant to this Condition shall not apply to the Oil Securities of the relevant class but shall apply (*mutatis mutandis*) to the New Split Securities on the basis of this Condition 6.4.
- (b) Oil Securities redeemed pursuant to this Condition 6.4 shall be redeemed on the Termination Redemption Date, but the aggregate amount payable (the "**Aggregate Redemption Amount**") on all such Oil Securities shall be the amount which would have been payable if on each Pricing Day from and including the date on which the Oil Purchase Agreement is terminated in accordance with its terms, the maximum number of Oil Securities which may be required to be Redeemed on that Pricing Day pursuant to Condition 6.1.5 has been so Redeemed until all Oil Contracts of the relevant class in existence had been so Redeemed, and the Redemption Amount of each Oil Security of a class shall be its *pro rata* share of such Aggregate Redemption Amount.
- (c) Notwithstanding any other provision of these Conditions, the Issuer shall not be under any obligation to make payment on a Redemption under this Condition 6.4 until the Aggregate Redemption Amount shall have been determined.
- (d) If an Oil Purchase Agreement has been terminated by reason of an Oil Company Default, then no further Redemption Notices given on or after the date of such termination shall be effective

unless and until the Issuer has determined to divide the relevant Pool as referred to in paragraph (a) of this Condition 6.4 and such division has become effective.

#### 6.5 Compulsory Redemption by the Issuer

- (a) The Issuer may in its absolute discretion Redeem all (but not some only) of the Oil Securities of any class at the applicable Redemption Price and will be entitled to determine the Redemption Day for that purpose which shall be a date not less than 30 days (or seven days in the event of termination of any Oil Purchase Agreement) following the Issuer giving notice of its intention to require such Redemption to each Security Holder. The Issuer may Redeem one class of Oil Securities without Redeeming the other(s).
- (b) For the purposes of calculating the Redemption Price on a compulsory Redemption only, the Near Contract Price and Next Contract Price of Oil Securities shall be the average Near Contract Price and Next Contract Price over five Pricing Days following the Redemption Day (or such other period as the Issuer may in its discretion determine).
- (c) The Redemption Amount will be settled and paid to the relevant Security Holders within three Business Days following the later of (i) determination of the Redemption Price on compulsory Redemption and (ii) the Issuer having been provided with appropriate instructions by the relevant Security Holder.
- (d) A Redemption Notice given in accordance with this Condition 6.5 shall specify the manner in which payment instructions may be given by such Security Holder.

#### 6.6 Compulsory Redemption by the Trustee

If an Insolvency Event or (subject to Condition 6.4) Oil Company Default has occurred and is continuing, the Trustee may at any time, at its discretion, and shall if so directed in writing by Security Holders holding not less than 25 per cent. of the Oil Securities of the corresponding class or classes then outstanding or, pursuant to an Extraordinary Resolution, the Trustee having first been indemnified and/or secured to its satisfaction, give notice to the Issuer that the Oil Securities of the corresponding class or classes are required to be Redeemed on the date falling 20 Business Days from the giving of such notice, whereupon (subject to Condition 6.4) the Issuer shall be obliged to Redeem the Oil Securities of the corresponding class or classes on such date at the Redemption Price.

#### 6.7 Satisfaction of Redemption Notices by Transfer

The Issuer may in its absolute discretion elect to satisfy Redemption Notices by transfer of the appropriate number of Oil Securities to one or more Authorised Participant from Security Holder(s) seeking Redemption, and for that purpose the Issuer may authorise any person on behalf of the Security Holder to execute one or more instruments of transfer in respect of the relevant number(s) of Oil Securities provided that the amount payable by the Authorised Participant shall still be an amount equal to the relevant Redemption Price (less the Redemption Fee) and the relevant Redemption Day will be the date of the transfer(s).

### 7. MARKET DISRUPTION

- 7.1 Subject to Condition 7.2 with respect to a Brent 1mth or a WTI 2mth Oil Security, if on a Roll Day during a Roll Period there are not enough Remaining Trading Days to enable that Roll Period to consist of 5 (five) Roll Days, then, on the first such Roll Day in that Roll Period (the “**First Adjusted Roll Day**”) and on each remaining Roll Day during that Roll Period, for the relevant class of Oil Security, the formulae in Condition 5.5 shall be amended on each such remaining Roll Day by:

replacing the term “ $1/5 \times E_{1(i,0)}$ ” wherever it occurs in those formulae

with the term “ $1/N_{(i,r)} \times E_{1(i,0)}$ ”

where:

$N_{(i,r)}$  is the number of Remaining Trading Days in the Roll Period for Oil Securities of class i on and including Roll Day r,

**Provided that** for the avoidance of doubt, this Condition 7.1 shall not apply retrospectively and, accordingly, shall not affect the Prices or the Entitlements in respect of any Roll Day prior to the First Adjusted Roll Day.

- 7.2 If with respect to a Brent 1mth or a WTI 2mth Oil Security a Roll Period contains so many Market Disruption Days that by the Last Remaining Trading Day there have not been 5 (five) Roll Days in that Roll Period and that Last Remaining Trading Day is also a Market Disruption Day, unless the Issuer agrees otherwise, for the relevant class of Oil Securities, the Near Contract Price and Next Contract Price in respect of that Market Disruption Day shall be deemed to be the market price of the relevant Brent Contract or WTI Contract, as the case may be on the next Pricing Day and the Entitlements shall be as determined by an independent expert (“**Expert**”) appointed by the President of the Energy Institute as that most closely reflecting the commercial intention of Conditions 5 and 7.1, and such Expert shall act as an expert not as an arbitrator and shall be requested to give his determination in writing by 7.00 a.m. on the seventh Day following such Pricing Day and the determination of such Expert shall be final and binding on the Parties. The costs of such Expert shall be shared equally by the Parties.
- 7.3 Subject to Condition 7.4, with respect to a Brent 1yr, WTI 1yr, Brent 2yr, WTI 2yr, Brent 3yr or a WTI 3yr Oil Security, if on a Roll Day during a Roll Year there are not enough Remaining Trading Days to enable that current Roll Year to consist of a total of 24 (twenty four) Roll Days then, on the first such Roll Day in that Roll Year (the “**First Adjusted Constant Maturity Roll Day**”) and on each remaining Roll Day during that Roll Year, for the relevant class of Oil Security, the formula in Condition 5.5 shall be amended on each such remaining Roll Day by:

the term “ $1/24 \times E_{1(i,Nov)}$ ” wherever it occurs in those formulae

with the term “ $1/N_{(i,r)} \times E_{1(i,Nov)}$ ”:

where:

$N_{(i, r)}$  is the number of Remaining Trading Days in the Roll Year for Oil Contracts of class i on and including Roll Day r

**Provided that** for the avoidance of doubt, this Condition 7.3 shall not apply retrospectively and, accordingly, shall not affect the Prices or the Entitlements in respect of any Roll Day prior to the First Adjusted Constant Maturity Roll Day.

- 7.4 If for a Brent 1yr, WTI 1yr, Brent 2yr, WTI 2yr, Brent 3yr or a WTI 3yr Oil Security, a Roll Year contains so many Market Disruption Days that by the Last Remaining Trading Day there have not been 24 (twenty four) Roll Days in that Roll Year and that Last Remaining Trading Day is also a Market Disruption Day, unless the Issuer agrees otherwise, for the relevant class of Oil Security, the Near Contract Price and Next Contract Price in respect of that Market Disruption Day shall be deemed to be the market price of the relevant Brent Contract or WTI Contract, as the case may be as determined by an Expert as that most closely reflecting the commercial intention of Conditions 5 and 7.3, and such Expert shall act as an expert not as an arbitrator and shall be requested to give his determination in writing by 7.00 a.m. on the seventh Day following such Pricing Day and the determination of such Expert shall be final and binding on the Parties. The costs of such Expert shall be shared equally by the Parties.
- 7.5 With respect to a Brent 1yr, WTI 1yr, Brent 2yr, WTI 2yr, Brent 3yr or a WTI 3yr Oil Security, if on a Roll Day there are not enough Available Pricing Days during a Month to enable there to be two Roll Days in that month, then the first and (as required) second Available Pricing Days of the earliest month in which they occur shall be treated as Deferred Roll Days in substitution therefor.

## **8. CHANGES TO PRICING PARAMETERS**

8.1 The Issuer may change any Pricing Parameter if:

- (a) in the opinion of the Issuer, the proposal would not change the Redemption Amount which would be payable in respect of any Oil Security, if such Oil Security were Redeemed on the Day such proposal is implemented; and
- (b) in relation to any proposal to change the delivery months, it believes in good faith that the proposed replacement oil futures contract or delivery months are attracting a level of liquidity (in the underlying markets, including, but not limited to the market on the relevant exchange in which

such replacement contract or delivery months are admitted to trading) which is sufficient to enable exposures in respect of Oil Securities to be hedged on an efficient and commercial basis.

- 8.2 A change to the Pricing Parameters under Condition 8.1 shall take effect no earlier than 30 Days following the determination and will be published through a RIS.

## **9. ENFORCEMENT**

- 9.1 The Trustee may, at any time after the occurrence of a Defaulted Obligation, at its discretion, and shall, if so directed in writing by the Security Holder to whom such Defaulted Obligation is owed, the Trustee having first been indemnified and/or secured to its satisfaction, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any such obligation of the Issuer under the Trust Instrument and the security constituted by the Security Deed in respect of the Oil Securities to which such Defaulted Obligation relates.

- 9.2 The Trustee may at any time, if:

- (a) an Oil Company Default; and/or
- (b) an Insolvency Event

has occurred and is continuing, at its discretion, and shall if so directed in writing by Security Holders holding not less than 25 per cent. of the Oil Securities of the relevant class of Oil Securities then outstanding or an Extraordinary Resolution of the Security Holders of the Oil Securities of that class, the Trustee having first been indemnified and/or secured to its satisfaction, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any obligations of the Issuer under the Trust Instrument and the security constituted by the Security Deed in respect of all outstanding Oil Securities of the relevant class.

- 9.3 Where an Oil Company Default and/or Insolvency Event is occurring at the same time as a Defaulted Obligation, a Holder of Oil Securities to whom a Defaulted Obligation is owed will not be entitled to require the Trustee to take action in accordance with Condition 9.1 until the expiry of 30 days from the occurrence of the Oil Company Default and/or Insolvency Event, nor shall he be so entitled if, during such period of 30 days, the Trustee has elected, or been required, to take action in accordance with Condition 9.2.

- 9.4 If, in the case of an Oil Company Default, prior to the expiry of the period of 30 days referred to in Condition 9.3, the Issuer has determined to divide the relevant Pool by allocating the Oil Contract(s) to which the relevant Oil Major Company is a party and all Oil Contracts purchased thereunder to the New Pool in accordance with Condition 10, the right of the Trustee to take action in accordance with Condition 9.2 shall not apply to the Oil Securities of that class but shall apply (*mutatis mutandis*) to the New Split Securities of that class.

- 9.5 Only the Trustee may enforce the provisions of the Trust Instrument or the Security Deeds. Where the Trustee has elected or been directed to enforce the Issuer's obligations under the Trust Instrument and the security constituted by the Security Deed applicable to a particular class, the right of Security Holders to lodge a Redemption Notice in respect of Oil Securities of that class with the Registrar shall cease. Valid Redemption Notices lodged before the date the Trustee announces its intention to enforce the security (the Election Date) will be Redeemed at the Redemption Price on the Redemption Day. The Redemption Price for all Oil Securities of any class outstanding at the Election Date will be the average Redemption Price of the remaining Oil Securities of that class.

- 9.6 No Security Holder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing, in which case any such Security Holder will have only such rights against the Issuer as those which the Trustee is entitled to exercise against or in relation to the Issuer.

- 9.7 Application of Moneys

All moneys received by the Trustee pursuant to the Trust Instrument shall be held by the Trustee upon trust, to apply them:

- (a) FIRST in payment or satisfaction of all amounts then due and unpaid to the Trustee (including its attorneys, managers, agents, delegates or other person appointed by the Trustee) under terms of

the Trust Instrument, and to payment of any remuneration and expenses of any receiver and the costs of realisation of the security constituted by the Security Deeds;

- (b) SECONDLY in or towards payment or performance *pari passu* and rateably of all amounts then due and unpaid and all obligations due to be performed and unperformed in respect of the Oil Securities of the relevant class; and
- (c) THIRDLY in payment of the balance (if any) to the Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the Issuer shall be dealt with as between the Issuer and any other person).

#### **10. TRANSFER OF POOL PROPERTY TO NEW POOL; CONSOLIDATION AND DIVISION OF OIL SECURITIES**

10.1 The Issuer may at any time (without the consent of the Security Holders) determine to divide any Pool (the “**Existing Pool**”) by allocating some of the Secured Property attributable to the Existing Pool to a new Pool (the “**New Pool**”). If it determines to do so, the following shall apply:

- (a) the Issuer may only transfer from the Existing Pool to the New Pool all (and not merely some) of the Oil Contracts purchased from any one Oil Major Company;
- (b) prior to or on the transfer becoming effective, the Issuer shall create undated limited recourse secured oil securities (“**New Split Securities**”) having a principal amount determined in accordance with Condition 10.1(c) constituted by an instrument or deed on the same terms (*mutatis mutandis*) as the Trust Instrument (save that there shall be no obligation to procure Listing of the New Split Securities) and on terms that such New Split Securities shall have recourse only to the assets attributable to the New Pool, and shall issue such New Split Securities to the Security Holders of the Oil Securities attributable to the Existing Pool (“**Current Securities**”) outstanding immediately prior to the transfer becoming effective on the basis of one New Split Security for each Current Security then held. For this purpose any Oil Security in respect of which a Defaulted Obligation has occurred and is continuing shall be treated as outstanding;
- (c) the principal amount and Multiplier, of each New Split Security shall be the proportion of the principal amount and Multiplier respectively, of each Current Security outstanding immediately prior to the transfer becoming effective that the aggregate Price of the Oil Contracts to be transferred bears to the aggregate Price of the Oil Contracts attributable to the Existing Pool, and on the creation and issue of the New Split Securities becoming effective the principal amount and Multiplier of each Current Security shall be reduced accordingly; and
- (d) the Issuer shall enter into a Security Deed with the Trustee in relation to the assets attributable to the New Pool to secure the New Split Securities, which shall be on the same terms (*mutatis mutandis*) as the Security Deed (the “**Existing Security Deed**”) securing the Current Securities, and the Trustee shall release the property to be transferred from the Existing Security Deed.

10.2 Without prejudice to the foregoing, the Issuer may consolidate or divide all of the Oil Securities of any class into Oil Securities with a proportionately larger or smaller principal amount and Multiplier. Such consolidation or division shall be effected by deed or instrument supplemental to the Trust Instrument.

10.3 Whenever as a result of consolidation of Oil Securities a Security Holder would become entitled to a fraction of an Oil Security, the Company will Redeem such fraction of the relevant Oil Security.

#### **11. RESTRICTIONS**

So long as any of the Oil Securities of any class are outstanding, the Issuer covenants in the Trust Instrument, *inter alia*:

- (a) not to incur or permit to subsist in respect of the relevant Pool any indebtedness for borrowed money other than Oil Securities or Further Oil Securities (as defined below), not to incur or permit to subsist other than in respect of the relevant Pool any indebtedness for borrowed money other than a separate class of undated limited recourse secured oil securities in accordance with the provisions of the Trust Instrument and not to give any guarantee or

indemnity in respect of indebtedness of any person, save in each case with the prior written consent of the Trustee;

- (b) other than as permitted under the applicable Security Deed, not to dispose of any of the applicable Secured Property or any interest therein, or to create any mortgage, pledge, charge, lien, or other form of encumbrance or security interest or right of recourse in respect thereof in favour of any person;
- (c) not to undertake any business in relation to the relevant Pool save for the issue and Redemption of Oil Securities of the relevant class, the acquisition and disposal of Oil Contracts of the relevant class and entering into the necessary documents and performing its obligations and exercising its rights thereunder insofar as applicable to the relevant Pool and not otherwise to undertake any business other than the creation of additional Pools for the purposes of creating securities ("**Oil-Related Securities**") based on different reference prices or having some other different characteristics or being based on some other oil or oil-related product or otherwise substantially similar to the Oil Securities;
- (d) to use reasonable endeavours to ensure that at all times there are at least two Authorised Participants;
- (e) not to issue any Oil Securities of the relevant class unless it has purchased or purchases at the same time Oil Contracts with corresponding terms and in aggregate matching Near Entitlement Next Entitlement and Multiplier;
- (f) not to maintain tax residence inside the UK nor to establish any permanent establishment in the UK;
- (g) to undertake any business in relation to the relevant Pool so as to minimise the impact of taxation thereon; and
- (h) to procure that the relevant Pool is at all times maintained in a manner such that it is readily distinguishable from other Pools.

## **12. FURTHER OIL SECURITIES**

12.1 Power is reserved to the Issuer (without the consent of the Security Holders) to create and issue further Brent-referenced Oil Securities of any class or WTI-referenced Oil Securities of any class or other classes of undated limited recourse secured oil securities (being "**Further Oil Securities**") constituted by an instrument or deed supplemental to the Trust Instrument and ranking *pari passu* with the Oil Securities of any class and all (if any) other Further Oil Securities of the relevant class and either forming a single series with the Oil Securities of any class and such other Further Oil Securities or a single series therewith save for carrying such rights (including, without limitation, rights as to interest, Redemption and otherwise) as the Issuer may think fit.

12.2 Any additional class of securities may have recourse only to the Pool attributable to that class and not to the assets attributable to the any other Pool. In the event that the Issuer desires to create and issue any separate class of limited recourse secured oil securities (whether New Split Securities (as referred to in Condition 10) or Oil-Related Securities (as referred to in Condition 11(c)), the Trustee may (without the consent of the Security Holders) enter into a deed of priorities with the trustee for the holders of such separate class of limited recourse secured oil securities so that the proceeds of enforcement of the security granted to the Trustee under the Security Deeds would be available only to meet claims of the Security Holders of the relevant class and so that the Security Holders would not share in the proceeds of enforcement of any security granted to secure the obligations of the Issuer in respect of such separate class.

## **13. THE ISSUER'S ABILITY TO REPURCHASE OIL SECURITIES**

There is no restriction on the ability of the Issuer or any of its Affiliates to purchase or repurchase Oil Securities, New Split Securities or Oil-Related Securities.

## **14. LISTING**

The Issuer covenants in the Trust Instrument to use its best endeavours to obtain and, so long as any of the Oil Securities remain outstanding, maintain a listing for the Oil Securities on the official list of the

UK Listing Authority and to obtain and maintain a trading facility for the Oil Securities on the London Stock Exchange or, if it is unable to do so having used such best endeavours or if the maintenance of such listing or facility is agreed by the Trustee to be unduly onerous, use its best endeavours to obtain and maintain the quotation or listing of the Oil Securities on such other stock exchange as it may (with the prior written approval of the Trustee) decide.

## **15. WAIVER, AUTHORISATION AND DETERMINATION**

The Trustee may, without prejudice to its rights in respect of any subsequent breach, but only if and in so far as, in the opinion of the Trustee, the interests of the Security Holders will not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions of the Trust Instrument or the Security Deeds, or determine that any Defaulted Obligation, Insolvency Event or Oil Company Default under the Trust Instrument or any Security Deed, as the case may be, shall not be treated as such, provided however that the Trustee shall not exercise such powers (a) with respect to a Defaulted Obligation, in contravention of any express direction given by the Security Holder to whom a Defaulted Obligation is owed, or (b) with respect to an Insolvency Event or any Oil Company Default or any other breach or proposed breach by the Issuer of any of the covenants or provisions of the Trust Instrument, in contravention of any express direction given by an Extraordinary Resolution, but so that no such direction shall affect any waiver, authorisation or determination previously given or made.

## **16. EXERCISE OF DISCRETIONS**

The Trustee may exercise its discretions under the Trust Instrument separately in respect of the Oil Securities of each class, any class of New Split Securities or any class of Oil-Related Securities in issue from time to time, and shall incur no liability for so doing.

## **17. PRESCRIPTION**

The Trust Instrument does not provide for any prescription periods.

## **18. REMOVAL, RETIREMENT AND REPLACEMENT OF TRUSTEE**

The Trustee may retire at any time without assigning any reason upon giving not less than three months' prior written notice to the Issuer. The Security Holders may by Extraordinary Resolution remove any trustee or trustees for the time being of the Trust Instrument.

The Issuer will use its reasonable endeavours to appoint a new Trustee as soon as reasonably practicable after the Trustee retires or is removed.

## **19. GOVERNING LAW AND JURISDICTION**

The Oil Securities, the Trust Instrument and the Security Deeds are governed by the laws of England. Notwithstanding the submission to the jurisdiction of the English courts contained in the Security Deeds, nothing prevents the Trustee from commencing proceedings in any other competent jurisdiction.

## **20. TRUSTEE'S LIABILITY**

Save in the case of fraud, wilful misconduct or negligence, the Trustee shall have no liability under the Trust Instrument for a breach of trust and save in such circumstances, no Trustee in execution of the trusts and powers under the Trust Instrument, shall be liable for any loss arising by reason of any mistake or omission by him or by reason of any other matter or thing including fraud, negligence or default of another director, officer or employee or Trustee.

## **21. AMENDMENTS TO DOCUMENTS**

21.1 Pursuant to the Trust Instrument, the Issuer covenants that it will not amend, vary, modify or supplement any of the following documents without the prior written consent of the Trustee:

- (a) any Oil Purchase Agreement;
- (b) Oil Contracts;
- (c) each Authorised Participant Agreement; and
- (d) any Letter of Credit (together the "Trustee Consent Documents").

21.2 The Issuer may by supplemental agreement or supplemental deed as applicable, amend the Trust Instrument, the Security Deeds or (without the consent of the Trustee) any of the Trustee Consent Documents if one or more of the following applies:

- (a) in the opinion of the Issuer and the Trustee, the amendment is necessary or desirable and is not materially prejudicial to the rights of Security Holders;
- (b) in the opinion of the Issuer and the Trustee, the amendment is necessary or desirable to enable the Oil Purchase Agreement to provide for the sale to the Issuer of oil and in the opinion of the Issuer such amendments and/or any related documents provide for adequate custody and settlement arrangements and will not materially prejudice the rights of Security Holders;
- (c) if the amendment is to substitute as debtor under the Letter of Credit a Substitute Credit Provider;
- (d) the terms of the amendment are authorised by an Extraordinary Resolution of Security Holders passed in accordance with the Trust Instrument or a resolution in writing of holders of not less than 75 per cent. of the Oil Securities outstanding;
- (e) the terms of the amendment are necessary or desirable in the opinion of the Issuer and the Trustee to comply with any statutory or other requirement of law (including as modified or applied in any respect to the Oil Securities) or any rules applicable to the listing or trading of the Oil Securities or to rectify any inconsistency, technical defect, manifest error or ambiguity in the terms of such Document; and
- (f) in the opinion of the Trustee, the amendment is of a formal, minor or technical nature or to correct a manifest or proven error.

21.3 The Issuer shall notify all Security Holders of any proposed amendment as referred to in Condition 21.2(a) by publishing a notice on a RIS at least 30 days prior to such amendment becoming effective. The Issuer shall notify all Security Holders of a proposed amendment as referred to in Condition 21.2(b) by publishing a notice on a RIS at least 30 days prior to such amendment becoming effective and by publishing a supplementary prospectus and/or supplementary listing particulars in accordance with section 81 or section 87G of FSMA. The Issuer shall notify all Security Holders of a proposed amendment as referred to in Condition 21.2(c), (d) and (e) by publishing a notice on a RIS as soon as practicable after such amendment is proposed and, in any event, upon such amendment becoming effective.

21.4 Notwithstanding any provision of the Trust Instrument to the contrary, the power to assent to any modification or amendment to the provision of any Trustee Consent Document which modifies the power to amend such Trustee Consent Document shall require a unanimous resolution in writing of holders of the Oil Securities then outstanding.

## **22. NOTICES**

22.1 All notices required or permitted to be given to a Security Holder under the Trust Instrument or pursuant to any other Trustee Consent Document shall be made by publication through a RIS.

22.2 All notices required to be given by the Issuer to Security Holders under the Trust Instrument or otherwise shall be made in writing, except to the extent that the notice relates to a meeting of Security Holders where, in relation to any shares which are held in Uncertificated Form, the directors may from time to time permit notices of Security Holder meetings to be made by means of an electronic communication in the form of an Uncertificated Notice of Meeting in such form and subject to such terms and conditions as may, from time to time, be prescribed by the directors (subject always to facilities and requirements of CREST) and may in a similar manner permit supplements, or amendments, to any such Uncertificated Notice of Meeting to be made by like means.

22.3 All notices required or permitted to be given by Security Holders to the Issuer or the Registrar under the Trust Instrument or pursuant to any other Document must be in writing. Such notices may be sent to the secretary of the Issuer by electronic mail to [info@etfsecurities.com](mailto:info@etfsecurities.com) (for the Issuer) or facsimile to +44 1534 825 335 (for the Issuer and/or the Registrar) (or both) and shall be treated as being duly given only upon being actually received by the Issuer or the Registrar, as the case may be.

## **23. PAYMENT PROVISIONS**

### **23.1 Currency**

All monies payable by the Issuer on the Oil Securities shall be paid in US Dollars in full cleared and immediately available funds.

### **23.2 No deduction or withholding**

All monies payable by the Issuer on the Redemption of any Oil Securities shall be paid in full, free and clear of and without any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction or any political subdivision thereof or any authority thereof having power to tax, unless such deduction or withholding is required by law to which the person making the payment is subject.

### **23.3 Payments due on Days other than Payment Business Days**

Where a Day on which a payment would otherwise be due and payable is not a Payment Business Day, such payment shall be due and payable by the payer on the next following Payment Business Day.

## **B. THE SECURITY DEEDS**

The Security Deeds contain, *inter alia*, provisions to the following effect:

### **1. Charge**

- (a) Charge: As continuing security for the payment or discharge of all sums and other liabilities owing by the Issuer to the Trustee as Trustee for the Security Holders or the Security Holders from time to time under each class of Oil Securities, the relevant Trust Instrument or Security Deed, including, without limitation, the Redemption Obligations (“the Secured Liabilities”), the Issuer with full title guarantee has agreed to charges by way of first floating charge to the Trustee for the benefit of the Trustee and the Security Holders all the Issuer’s rights, title and interest, present and future, in and to the relevant Secured Property, provided that if the Secured Liabilities shall be irrevocably and unconditionally paid to and received by the Trustee in full, the Trustee shall at the request and cost of the Issuer release or discharge the relevant Secured Property from the Security.
- (b) Assignment by way of Security: The Issuer as further security for the Secured Liabilities has agreed to assign to the Trustee all its present and future rights, title and interest in each Oil Purchase Agreement, provided that unless and until the Security is exercised in accordance with the provisions of the Security Deed, the Issuer may continue to exercise all its powers under the relevant Oil Purchase Agreement in relation to the following matters:
- (i) operational matters expressed in the Oil Purchase Agreement to be at the option, or subject to the discretion, of the Issuer and the relevant Oil Major Company; and
  - (ii) operational matters relating to the day to day management of the creation or redemption of Oil Contracts under the Oil Purchase Agreement that require the agreement of the Oil Major Company and the Issuer, but which do not relate to the payment obligations of either party under the Oil Purchase Agreement,

save that, to the extent that the Trustee’s consent is required, it shall be the responsibility of the Issuer to ensure that such consent is received prior to undertaking the matter in question.

### **2. Enforcement**

- (a) The whole of the Security shall become enforceable if (a) a Defaulted Obligation, (b) an Oil Company Default; or (c) an Insolvency Event has occurred and is continuing.
- (b) In addition to any of the powers conferred on the Trustee pursuant to the Trust Instrument with respect to the Secured Property, the Trustee may at any time:
- (i) after the occurrence of a Defaulted Obligation at its discretion, and shall if so directed in writing by a Security Holder to whom such Defaulted Obligation is owed, the Trustee having first been indemnified and/or secured to its satisfaction, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any such obligation of the Issuer under the Trust Instrument and the Security constituted by the relevant Security Deed in respect of the Oil Securities to which the Defaulted Obligation relates;
  - (ii) if an (a) Insolvency Event and/or (b) an Oil Company Default has occurred and is continuing, at its discretion, and shall if so directed in writing by Security Holders holding not less than 25 per cent. of the relevant class of Oil Securities then outstanding or an Extraordinary Resolution of the Security Holders of the Oil Securities of that class, the Trustee having first been indemnified and/or secured to its satisfaction, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any obligations of the Issuer under the Trust Instrument and the Security constituted by the relevant Security Deed in respect of all outstanding Oil Securities of the relevant class; and
  - (iii) where an Insolvency Event and/or an Oil Company Insolvency is occurring at the same time as a Defaulted Obligation, a holder of Oil Securities to whom a Defaulted Obligation is owed will not be entitled to require the Trustee to take action as described in paragraph 2(b)(i) above until the expiry of 30 days from the occurrence of the Insolvency Event and/or Oil Company Insolvency Event, nor shall he be so entitled if, during such period of 30 days, the Trustee has elected, or been required, to take action as described in paragraph 2(b)(ii) above.

## PART 8

### GLOBAL BEARER CERTIFICATES

The following is a non-binding English language translation of the form of Global Bearer Certificates. The definitive German language text, of which the following is a direct translation, of the form of the Global Bearer Certificates and the Conditions of the Global Bearer Certificates is set out in Annexes 1 and 2 of this document.

**Global Bearer Certificate  
(non-binding translation)**

for

● registered [see Annex 1] [class of] Securities

of

ETFS Oil Securities Limited Ordnance House, 31 Pier Road, St Helier,  
Jersey, Channel Islands, JE4 8PW

divided into securities with a principal amount of USD 5.00 each

As underlying stock for this Global Bearer Certificate the Clearstream Banking Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (hereinafter referred to as "Clearstream"), is holding ● registered [see Annex 1] [class of] Securities (hereinafter referred to as "Notes"), of ETFS Oil Securities Limited, Jersey, Channel Islands, (hereinafter referred to as the "Company") constituted by a Trust Instrument dated 13 July 2005 between the Company and The Law Debenture Trust Corporation p.l.c. as amended (hereinafter referred to as the "Trust Instrument") and secured as described therein and divided into securities with a principal amount of USD 5.00 each, registered in the name of Vidacos Nominees Limited, London, England and held in a special Safe Custody Account with Citibank N.A., London, England. Each co-owner of this Global Bearer Certificate is entitled to demand at any time from Clearstream, to arrange for the delivery and registration in the relevant Register of Security Holders, in his name or in the name of a third party designated by him of such number of Notes as corresponds to his share in this Global Bearer Certificate.

In respect of all further matters, the Conditions attached to this Global Bearer Certificate and forming an essential part thereof shall apply.

Frankfurt am Main,

CLEARSTREAM BANKING  
AKTIENGESELLSCHAFT

## TEXT OF THE CONDITIONS OF THE GLOBAL BEARER CERTIFICATES

### Conditions of the Certificate (non-binding translation)

1. This Global Bearer Certificate bears the signature of two managing directors, or one managing director and one holder of procuration, of the Clearstream Banking Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany, (hereinafter referred to as "Clearstream").
2. Each co-owner of this Global Bearer Certificate is entitled to demand at any time from Clearstream the delivery and the registration in the relevant Register of Security Holders in his name or in the name of a third party designated by him of such number of registered ● [see Annex 1] [class of] Securities (hereinafter referred to as "Notes") of ETFs Oil Securities Limited, Jersey, Channel Islands, (hereinafter referred as the "Company") constituted by a Trust Instrument dated 13 July 2005 between the Company and The Law Debenture Trust Corporation p.l.c. as amended (hereinafter referred to as the "Trust Instrument") and secured as described therein and divided into securities with a principal amount of USD 5.00 each as corresponds to his co-ownership share in this Global Bearer Certificate. Such demand shall be made by the co-owner through his depositary bank to Clearstream, stating to whom the Notes shall be delivered, respectively, the address to which the certificate evidencing the registration shall be mailed by the Registrar.

In addition to the delivery, respectively, transfer fee determined by Clearstream pursuant to § 315 of German Civil Code, the co-owner shall bear any expenses, taxes, fees or duties arising from such delivery resp. transfer and registration.

The co-owners of this Global Bearer Certificate are not entitled to demand delivery of individual bearer certificates out of this Global Bearer Certificate.

3. As a rule, Clearstream shall convey to the co-owner, through his depositary bank and in proportion to his share in the Global Bearer Certificate, all rights arising from the Notes under the laws of England and Jersey Channel Islands.

Payments of capital, interests and/or other amounts due will be passed on by Clearstream to the co-owner. Furthermore, any terms and conditions announced by Clearstream shall apply.

All payments to the co-owner shall be made in EURO, in accordance with the foreign exchange control regulations prevailing at the time, unless the co-owner has in time before the due date demanded payment in USD (United States Dollars).

4. As a rule, Clearstream shall not exercise voting rights arising in a noteholder meeting. On demand, it shall cause a voting proxy to be issued to the co-owner or a third party indicated by him.

The Company has undertaken to publish the agenda of any noteholder meeting as well as the conditions for participating in the meeting and exercising the voting rights before each meeting.

5. Should the issuance of the Global Bearer Certificate be subject at any time to any taxes, fees or duties in the Federal Republic of Germany or in Jersey, Channel Islands, the co-owners shall bear such taxes, fees or duties in proportion to their shares in the Global Bearer Certificate.

Clearstream is entitled to divide among all co-owners in proportion to their co-ownership shares in the Global Bearer Certificate all taxes, fees and duties to which it may at any time be subject in the Federal Republic of Germany or in Jersey, Channel Islands, by the mere fact that it is holding the Notes.

6. If for any reason the Notes should be replaced by other notes or some other valuable, the co-owner's right to the Notes shall convert into a right to the relevant substitutes. In such event these Conditions shall apply *mutatis mutandis*.

7. Clearstream is entitled to substitute another entity for Citibank N.A., London, England, (hereinafter referred to as "Custodian") in its function as Custodian or Vidacos Nominees Limited, London, England, (hereinafter referred to as "Nominee") in its function as Nominee. In such event, Clearstream shall not be responsible for more than careful selection. This does not affect Clearstream's right to assume itself the functions of the Custodian or the Nominee. In the

case where the Custodian or the Nominee are replaced, any reference to the Custodian or the Nominee in these Conditions shall be deemed to refer to the new Custodian or Nominee.

8. Should the Notes become good delivery on German stock exchanges in a way which would not require Clearstream's assistance in the present form or should the admission of the Notes in the form of (co-ownership) shares in the Global Bearer Certificate to trading and official quotation on German stock exchanges be withdrawn, Clearstream shall request from the co-owners instructions, as provided for in Clause 2. paragraph 1 above. Should such instructions not be given within 3 months from the publication of the relevant request, Clearstream shall be entitled, at its discretion, to arrange for registration of the Notes in the name of the co-owner or a third party designated in its request and to deposit the relevant Notes at the co-owner's risk and expense with a depositary designated in its request. All obligations of Clearstream arising from the Global Bearer Certificate shall cease therewith.
9. All notices concerning the Global Bearer Certificate shall be published in at least one supraregional newspaper designated by the German stock exchanges to publish obligatory notices of each German stock exchange on which the Notes in form of co-ownership shares in the Global Bearer Certificate are traded and officially quoted.
10. The co-owners shall bear proportionately any prejudice or damage, whether economic or legal, which may affect the Notes held as underlying stock for the Global Bearer Certificate in consequence of *force majeure*, governmental decrees, war, riots, official action at home or abroad or any other circumstances beyond Clearstream's or the Custodian's control.

Clearstream shall perform all its obligations arising from the Global Bearer Certificate with the due care of a proper merchant. If by reason of *force majeure*, governmental decrees, war, riots, official action at home or abroad or by any other circumstances beyond its control it is prevented from performing its obligations, it shall not be responsible.

The Custodian and the Nominee are responsible towards Clearstream for the due performance of their functions. Any claims against the Custodian or the Nominee shall be pursued by Clearstream on the co-owners' behalf. Beyond that, Clearstream shall only be responsible for careful selection of the Custodian and the Nominee.

11. Should any of these conditions be or become fully or partly invalid or impracticable, the other conditions shall remain unaffected. Any such invalid or impracticable condition shall be replaced in accordance with the intent and purpose of this contractual agreement.
12. All legal relations between the co-owner and Clearstream shall be governed by the laws of the Federal Republic of Germany. The exclusive court of venue shall be Frankfurt am Main.
13. Except where required by law, an alteration of these Conditions shall be permitted only insofar as it does not impair the rights of the co-owners.

#### **Annex 1**

Annex 1 may be amended from time to time if additional classes of Notes are issued by ETFS Oil Securities Limited under its multi-class Programme.

<b>Class</b>	<b>Original ISIN (of the Note)</b>	<b>Principal Amount</b>
Brent 1mth Oil	GB00B0CTWC01	USD 5.00
WTI 2mth Oil	GB00B0CTWK84	USD 5.00

#### **Global Bearer Certificates and Text of their Conditions**

Annex 1 to this document contains the model form of the Global Bearer Certificates and Annex 2 to this document contains the text of the Conditions of the Global Bearer Certificates which apply to each Global Bearer Certificate, in each case in the German language. The English version of the model form of the Global Bearer Certificates and the text of the Conditions of the Global Bearer Certificates set out above are direct translations of the German versions contained in Annexes 1 and 2 to this document.

## PART 9

### PARTICULARS OF SHELL TRADING SWITZERLAND AND SHELL TREASURY

#### Shell Trading Switzerland

Shell Trading Switzerland was incorporated in Switzerland with the name Shell Trading Switzerland AG in accordance with the provisions of the Swiss Code of Obligations on 11 April 2005 (with company number CH-170.3.028.260-0) and is a wholly owned subsidiary of Shell Overseas Holdings Limited which is itself a wholly owned member of the Shell Group. Shell Trading Switzerland's registered office is at Baarermatte, 6340 Baar, Switzerland (Tel: +41 41 769 4444) and it has a paid up share capital of 100,000 Swiss Francs. It currently has no holdings or interest in any other companies and carries on no activities other than the entering into of Oil Contracts with the Issuer and ancillary finance and hedging arrangements with other members of the Shell Group to facilitate the performance of its obligations under the Oil Purchase Agreement.

The directors of Shell Trading Switzerland are:

<b>Name and business address:</b>	<b>Function:</b>	<b>Other principal activities:</b>
Wolfgang Mende 80 Strand London WC2R 0ZA England	Director	Executive Vice President Finance Trading Shell International Trading and Shipping Company Limited
Iris Monteil Baarermatte 6340 Baar Switzerland	Director	Legal Adviser
Lorenz Burkart Baarermatte 6340 Baar Switzerland	Director	Country Controller

The appointments of Wolfgang Mende and Lorenz Burkart, and the resignations of Ralph Stalder and Peter Hillman have not been registered at the Zug Commercial Register. There has been no significant change in the financial or trading position or material adverse change in the prospects of Shell Trading Switzerland since 31 December 2006.

Shell Trading Switzerland is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Shell Trading Switzerland is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of Shell Trading Switzerland. Shell Trading Switzerland has no subsidiaries.

The following contracts (not being contracts entered into in the ordinary course of its business) have been entered into by Shell Trading Switzerland which could result in Shell Trading Switzerland being under an obligation or entitlement that is material to Shell Trading Switzerland's ability to meet its obligations to the Issuer:

- (a) the Oil Purchase Agreement dated 13 July 2005, amended and restated by agreement dated 24 April 2006 and amended and restated by further agreement dated 19 July 2007 between the Issuer and Shell Trading Switzerland;
- (b) a deed of undertaking dated 13 July 2005 and amended and restated by agreement dated 24 April 2006 between Shell Trading Switzerland, Shell Treasury and Citigroup Global Markets Limited;
- (c) a deed of undertaking dated 13 July 2005 and amended and restated by agreement dated 24 April 2006 between Shell Trading Switzerland, Shell Treasury and UBS AG, London Branch;
- (d) a deed of undertaking dated 18 May 2006 between Shell Trading Switzerland, Shell Treasury and Fortis Bank Global Clearing N.V.;

- (e) a deed of undertaking dated 14 July 2006 between Shell Trading Switzerland, Shell Treasury and Morgan Stanley & Co. International Limited;
- (f) a deed of undertaking dated 15 January 2007 between Shell Trading Switzerland, Shell Treasury and Barclays Capital Securities Limited;
- (g) a deed of undertaking dated 9 February 2007 between Shell Trading Switzerland, Shell Treasury and ABN-AMRO Bank N.V., London Branch;
- (h) a deed of undertaking dated 3 April 2007 between Shell Trading Switzerland, Shell Treasury and Bayerische Hypo- und Vereinsbank AG.; and
- (i) two “Other Adjustment Agreements” between the Issuer and Shell Trading Switzerland dated 24 April 2006 described under the heading “Other Adjustment” in Part 1 (*General*) as amended by an Amendment and Restatement Agreement dated 20 July 2007.

In addition, Shell Trading Switzerland has entered into arrangements with other members of the Shell Group to assist with its financial liquidity and its exposure to the Oil market through the Oil Contracts. Amounts payable to Shell Trading Switzerland in respect of the creation of Oil Contracts are treated as liabilities of Shell Trading Switzerland to the Issuer on Shell Trading Switzerland’s balance sheet, but the cash is deposited by way of short term loans with Shell Finance Netherlands BV, and further lent by that entity to Shell Treasury. Upon each creation of an Oil Contract, Shell Trading Switzerland enters into a contract for differences with one or other of: (i) Shell International Trading and Shipping Company Limited acting on behalf of Shell Trading International Limited; or (ii) Shell Trading (US) Company, in respect of the entire Oil price risk generated by an Oil contract.

Upon redemption of an Oil Contract, Shell Trading Switzerland will source the necessary funds to meet its redemption payments from a combination of: (i) a working capital overdraft facility presently from Shell Treasury Centre Limited; and (ii) settlement of the corresponding contract for differences with Shell International Trading and Shipping Company Limited or Shell Trading (US) Company, as the case may be.

Each of these arrangements is subject to variation and/or replacement from time to time at the instigation of Shell Trading Switzerland and Shell Treasury.

*Conflicts of Interest*

There are no potential conflicts of interest between the duties which the directors and/or members of the administrative, management and supervisory bodies of Shell Trading Switzerland owe to Shell Trading Switzerland, and their private interests and/or other duties which they have.

**Shell Treasury**

Shell Treasury was incorporated and registered in England and Wales pursuant to the Companies Act 1985 on 17 November 1997 with company number 3469401 and is a wholly-owned subsidiary of The Shell Petroleum Company Limited which is itself a wholly-owned member of the Shell Group. Shell Treasury’s registered office is at Shell Centre, London, SE1 7NA (Tel: 020 7934 1234), and it has an authorised share capital of US\$1,600,001,000 of which US\$1,000,001,000 is paid up.

The directors of Shell Treasury are:

<b>Name and business address:</b>	<b>Function:</b>	<b>Other principal activities:</b>
K Dawson (appointed 16 January 2006)	Director	Head of UK Finance and Treasury Legal
Frederic Marret	Director	Head of Intra Group Financing, Shell Group
G Janssens (appointed 16 January 2006)	Director	Corporate Controller

The business address for each of which is:

Shell Centre  
London SE1 7NA  
England

Shell Treasury manages the Shell Group's US Dollar currency flows in the United Kingdom and makes long-term investments in companies in the Shell Group principally in the form of loans or the purchase of such members' debt securities. Shell Treasury holds the US Dollar element of the Shell Group central funds, including US Dollar surplus cash, and it provides US Dollar loans (or loans hedged into US Dollars) to other entities in the Shell Group; such loans may include a short-term element. It also provides US Dollar financing to other treasury companies in the Shell Group. Shell Treasury has agreed to provide credit support to Shell Trading Switzerland in respect of its rights and obligations under the Oil Purchase Agreement (see Part 5 (*Description of the Oil Purchase Agreement and Oil Contracts*) under the heading "Letter of Credit" for further details).

Shell Treasury takes long term US Dollar deposits (or deposits hedged in US Dollars) from other entities in the Shell Group, and short-term US Dollar deposits (or deposits hedged in US Dollars) that are not handled by other treasury companies in the Shell Group.

There are a number of entities in the Shell Group which perform treasury functions on behalf of the Shell Group as a whole, and in conjunction with The Shell Petroleum Company Limited and Shell Treasury Euro Company Limited (which performs a similar function to Shell Treasury but in respect of Euros) Shell Treasury manages the Shell Group's currency and tax exposures. The treasury companies effectively act as an in-house bank for entities in the Shell Group and pursuant to this function are able to access funds advanced under the Shell Group's 100 per cent. committed banking facilities of US\$2.5 billion and total amounts of up to US\$40 billion through the Shell Group's commercial paper, US Universal Shelf filing and medium term note programmes which are operated by separate treasury companies. Money raised by the relevant treasury companies through these programmes may then be on-lent to other entities in the Shell Group including the entities referred to above. Owing to the nature of Shell Treasury's role within the Shell Group, as mentioned above, it has a number of relationships with other companies in the Shell Group, including through loans or deposits from such companies, but does not have a dependence on any of them.

There has been no significant change in the financial or trading position or material adverse change in the prospects of Shell Treasury since 31 December 2006.

Shell Treasury is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Shell Treasury is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of Shell Treasury.

Shell Treasury has no subsidiaries.

The following contracts (not being contracts entered into in the ordinary course of its business) have been entered into by Shell Treasury which could result in Shell Treasury being under an obligation or entitlement that is material to Shell Treasury's ability to meet its obligations to the Issuer:

- (a) Letter of Credit dated 13 July 2005 issued in favour of the Issuer in support of Shell Trading Switzerland's obligations under the Oil Purchase Agreement as confirmed by deeds of confirmation executed by Shell Treasury dated 24 April 2006 and as further amended by a Deed of Confirmation dated 20 July 2007;
- (b) a deed of undertaking dated 13 July 2005 and amended and restated by agreement dated 24 April 2006 between Shell Trading Switzerland, Shell Treasury and Citigroup Global Markets Limited;
- (c) a deed of undertaking dated 13 July 2005 and amended and restated by agreement dated 24 April 2006 between Shell Trading Switzerland, Shell Treasury and UBS AG, London Branch;
- (d) a deed of undertaking dated 18 May 2006 between Shell Trading Switzerland, Shell Treasury and Fortis Bank Global Clearing N.V.;
- (e) a deed of undertaking dated 14 July 2006 between Shell Trading Switzerland, Shell Treasury and Morgan Stanley & Co. International Limited;
- (f) a deed of undertaking dated 15 January 2007 between Shell Trading Switzerland, Shell Treasury and Barclays Capital Securities Limited;
- (g) a deed of undertaking dated 9 February 2007 between Shell Trading Switzerland, Shell Treasury and ABN-AMRO Bank N.V., London Branch; and

- (h) a deed of undertaking dated 3 April 2007 between Shell Trading Switzerland, Shell Treasury and Bayerische Hypo- und Vereinsbank AG.

#### *Conflicts of Interest*

There are no potential conflicts of interest between the duties which the directors and/or members of the administrative, management and supervisory bodies of Shell Treasury owe to Shell Treasury, and their private interests and/or other duties which they have.

#### **Shell Group**

Royal Dutch Shell plc (“RDS”) became the single parent company of N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) (“Royal Dutch”) and the “Shell” Transport and Trading Company plc (“Shell Transport”) as a result of the unification transaction described below. Since 1907, Royal Dutch and Shell Transport have been the parent companies of a group of companies known collectively as the Royal Dutch/Shell Group (now known as the Shell Group). The companies of the Shell Group are engaged worldwide in all the principal aspects of the oil and natural gas industry.

On 20 July 2005 RDS became the parent company of Royal Dutch and Shell Transport upon the consummation of (i) an exchange offer under Dutch law by RDS for the outstanding shares of Royal Dutch and (ii) a scheme of arrangement under English law involving Shell Transport and its shareholders.

RDS was incorporated in England and Wales under the Companies Act 1985 on 5 February 2002 as a private company limited by shares. On 27 October 2004 it re-registered as a public company limited by shares and changed its name to Royal Dutch Shell plc.

#### **The Shell Group and the Issuer**

The Shell Group have decided to consolidate the Issuer within the accounts for the Shell Group. In reaching such a decision, the Shell Group will rely solely on the circumstances of the relationship between members of the Shell Group and the Issuer as described in this Prospectus and upon no other fact or circumstance. Notwithstanding the previous statement, neither Shell Trading Switzerland nor any other member of the Shell Group exercises any form of control over the Issuer nor does any one of them hold any direct or indirect ownership interest in the Issuer.

#### **Financial Information on Shell Treasury**

##### *Basis of financial information*

PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors of 1 Embankment Place, London WC2N 6RH, UK has issued unqualified audit opinions on the financial statements of Shell Treasury which have been sent for filing to the Registrar of Companies for each of the two years ended 31 December 2005 and 2006.

The annual reports of Shell Treasury for the years ended 31 December 2005 and 2006, including the financial statements of Shell Treasury for those years and the directors’ and auditors’ reports thereon, are reproduced at the end of this document. References to page numbers therein are to the page numbers in the original signed reports.

#### **Financial Information on Shell Trading Switzerland**

##### *Basis of financial information*

PricewaterhouseCoopers AG, has issued an unqualified audit opinion on the financial statements of Shell Trading Switzerland for each of the periods ended 31 December 2005 and 31 December 2006.

The annual reports of Shell Trading Switzerland for the periods from 11 April 2005 to 31 December 2005 and from 1 January 2006 to 31 December 2006, including the financial statements of Shell Trading Switzerland for those periods including the reports of the statutory auditors thereon, are reproduced at the end of this document.

The financial statements of Shell Trading Switzerland are prepared in accordance with Swiss statutory accounting law as prescribed by the Swiss Code of Obligations (the “Swiss Statutory Accounting Rules”). These accounting rules differ in significant respects from International Financial Reporting Standards (IFRS), which are the standards that are applied in the consolidated financial statements

prepared by Royal Dutch Shell PLC, the parent company of the Shell Group of which Shell Trading Switzerland is a wholly owned subsidiary. Shell Trading Switzerland itself is not required to and does not produce its own consolidated financial statements. It should therefore be recognised that there are significant differences between the financial information contained in the financial statements of Shell Trading Switzerland and the consolidated financial statements of the Shell Group, which differences may be attributable to differences between the applicable Swiss Statutory Accounting Rules and IFRS, the effects of consolidation on the financial statements of the Shell Group or other factors. For a discussion of significant differences between the Swiss Statutory Accounting Rules and IFRS, see “Summary of Significant Differences between Swiss Statutory Accounting Rules and International Financial Reporting Standards (IFRS)”. Investors should, however, be particularly aware that the Swiss Statutory Accounting Rules do not contain an equivalent requirement to the IFRS obligation for financial statements to provide a true and fair view of the relevant company’s financial position. Consequently, the financial statements should not be read in isolation without awareness of the particular requirements of the Swiss Statutory Accounting Rules.

## PART 10

### ADDITIONAL INFORMATION

#### 1. INCORPORATION AND SHARE CAPITAL

- (a) The Issuer was incorporated as a private limited company in Jersey on 20 August 2004 under the Companies (Jersey) Law 1991 (as amended) (the "Law") and changed status to a public company on 8 July 2005 pursuant to a written resolution of the Issuer dated 8 July 2005. The Issuer changed its name from Oil Securities Limited to ETFS Oil Securities Limited by a special resolution dated 14 July 2006. The Issuer operates under the Law and secondary legislation made thereunder. The Issuer is registered in Jersey under number 88371. The Issuer is authorised to issue an unlimited number of no par value shares of one class designated as Ordinary Shares of which 1,000 Ordinary Shares of no par value have been issued.
- (b) The Issuer does not have any subsidiary undertakings.
- (c) All of the Issuer's issued ordinary shares are owned by ETFSL.
- (d) There has been no material adverse change in the financial or trading position or prospects of the Issuer since 31 December 2006.

#### 2. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Issuer and are or may be material or have been entered into at any time by the Issuer and (not being contracts entered into in the ordinary course of business) contain provisions under which the Issuer has an obligation or entitlement which is or may be material to the Issuer as at the date of this document:

- (a) the Trust Instrument dated 13 July 2005, the supplemental Trust Instrument dated 24 April 2006 and the supplemental Trust Instrument dated 20 July 2007, a summary of the principal terms of which is set out in Part 7 (*Particulars of the Oil Securities*);
- (b) the following Security Deeds, a summary of the principal terms of which are set out in Part 7 (*Particulars of the Oil Securities*);
  - the Brent 1mth Security Deed dated 13 July 2005;
  - the Brent 1yr Security Deed dated 20 July 2007;
  - the Brent 2yr Security Deed dated 20 July 2007;
  - the Brent 3yr Security Deed dated 20 July 2007;
  - the WTI 2mth Security Deed dated 13 July 2005;
  - the WTI 1yr Security Deed dated 20 July 2007;
  - the WTI 2yr Security Deed dated 20 July 2007; and
  - the WTI 3yr Security Deed dated 20 July 2007.
- (c) the Oil Purchase Agreement dated 13 July 2005 as amended and restated by agreement dated 24 April 2006 and as further amended and restated by agreement dated 20 July 2007 between the Issuer and Shell Trading Switzerland, a summary of the principal terms of which are set out in Part 5 (*Description of the Oil Purchase Agreement and the Oil Contracts*);
- (d) an "Other Adjustment Agreement" dated 24 April 2006 as amended and restated by agreement dated 20 July 2007 between the Issuer and Shell Trading Switzerland, a summary of the principal terms of which are set out in Part 5 (*Description of the Oil Purchase Agreement and the Oil Contracts*);
- (e) seven Authorised Participant Agreements made between (i) the Issuer and Citigroup Global Markets Limited dated 24 April 2006; (ii) the Issuer and Fortis Bank Global Clearing N.V. dated 18 May 2006; (iii) the Issuer and Morgan Stanley & Co. International Limited dated 7 June 2006 (iv) the Issuer and UBS AG, London Branch, dated 24 April 2006; (v) the Issuer and Barclays Capital Securities Limited, dated 11 December 2006; (vi) the Issuer and ABN-AMRO Bank N.V., London Branch, dated 29 January 2007; and (vii) the Issuer and Bayerische Hypo- und

Vereinsbank AG dated 19 February 2007, a summary of the principal terms of which is set out under the heading “*Authorised Participants*” in Part 4 (*Description of the Oil Securities*) and in paragraph 3 below;

- (f) the Business Development Agreement, a summary of the principal terms of which is set out in Part 5 (*Description of the Oil Purchase Agreement and the Oil Contracts*);
- (g) a Letter of Credit relating to Shell Trading Switzerland’s obligations under the Oil Purchase Agreement dated 13 July 2005 and issued by Shell Treasury in favour of the Issuer, a summary of the principal terms of which are set out in Part 5 (*Description of the Oil Purchase Agreement and the Oil Contracts*). Shell Treasury executed deeds of confirmation dated 24 April 2006 and 20 July 2007 irrevocably confirming that the Letter of Credit remained in full force and effect notwithstanding amendments to other documents;
- (h) a Service Agreement dated 13 July 2005 as amended by an amendment agreement dated 20 July 2007 between the Issuer and ETFSL, a summary of the principal terms of which is set out in Part 1 (*General*); and
- (i) the NYMEX Licence, a summary of the principal terms of which is set out in paragraph 4 below.

### **3. AUTHORISED PARTICIPANT AGREEMENTS**

The Authorised Participants, as at the date of this document, are the persons who have entered into an Authorised Participant Agreement with the Issuer as described in paragraph 2(e) above.

Pursuant to the terms of the Authorised Participant Agreements, each Authorised Participant has represented, warranted and undertaken to the Issuer that neither it nor any of its Affiliates (including any person acting on behalf of the Authorised Participant or any of its Affiliates):

- (a) has offered or sold and will not offer or sell Oil Securities within the United States or to US Persons, whether on or after the relevant Creation Date;
- (b) has engaged or will engage in any “directed selling efforts” (as defined by Regulation S under the United States Securities Act of 1933, as amended) with respect to Oil Securities; and
- (c) will permit Oil Securities to be offered to, sold to, or purchased by persons resident for income tax purposes in Jersey (other than financial institutions in the normal course of business).

Each Authorised Participant has further represented, warranted and undertaken that:

- (d) it will comply (and procure compliance) with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Oil Securities or has in its possession or distributes offering material, in all cases at its own expense;
- (e) in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Oil Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Oil Securities to the public in that Relevant Member State:
  - (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a Prospectus in relation to those Oil Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
  - (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
  - (iii) at any time to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, each as shown in its last annual or consolidated accounts; or

- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a Prospectus pursuant to Article 3 of the Prospectus Directive;

and for the purposes of this provision, the expression an “offer of Oil Securities to the public” in relation to any Oil Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Oil Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Oil Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State;

- (f) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received by it in connection with the issue or sale of any Oil Securities in circumstances in which section 21(1) FSMA does not apply to the Issuer or any Affiliate of the Issuer;
- (g) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Oil Securities in, from or otherwise involving the United Kingdom; (subparagraphs 3(a) to 3(g) together shall be referred to as the “Selling Restrictions”); and
- (h) it is an Authorised Person, an Exempt Person or an Overseas Person and is a participant of CREST and will maintain any such registrations, qualifications and membership in good standing and in full force and effect throughout the terms of the Authorised Participant Agreement.

Each Authorised Participant has agreed to indemnify and hold the Issuer harmless if the Issuer, or its direct or indirect Affiliates, or their respective directors, officers, employees and agents suffers any loss, liability, damages, costs or expenses (including legal fees) incurred by such party, as a result of or in connection with any breach by the Authorised Participant of any of the Selling Restrictions.

The Authorised Participant Agreement of the Authorised Participants may be terminated by either party at any time upon thirty days’ prior written notice to the other parties.

The Issuer may enter into agreements with institutions to act as Authorised Participants and/or market-makers which may include commitments to make markets on varying terms, but which may include commitments to maintain particular maximum spreads and minimum lot sizes.

#### 4. NYMEX LICENCE

The Issuer and ETFSL have entered into a licence agreement with NYMEX (the “Licence Agreement”) pursuant to which the Issuer and ETFSL have been granted the right to use, reproduce and publish the settlement prices for the WTI Relevant Month Contracts. The Issuer has entered into a market data agreement with NYMEX (the “Market Data Agreement”) pursuant to which it is permitted to post on its website delayed intra-day and settlement pricing for the WTI Contracts. A fee is payable by ETFSL to NYMEX under the Licence Agreement. The Licence Agreement has a minimum term of five years but may be terminated earlier for non-payment of the fee or other breaches of the agreement by the Issuer or ETFSL.

#### 5. ISIN of the Oil securities

Eight classes of Oil Securities are offered pursuant to this Prospectus. The ISINs and Principal Amounts of the Oil Securities are:

<b>Class of Oil Security</b>	<b>ISIN</b>	<b>Principal Amount</b>
Brent 1mth	GB00B0CTWC01	US\$5.00
Brent 1yr	JE00B1YN4R61	US\$5.00
Brent 2yr	JE00B1YNWG12	US\$5.00
Brent 3yr	JE00B1YP7409	US\$5.00
WTI 2mth	GB00B0CTWK84	US\$5.00
WTI 1yr	JE00B1YPB605	US\$5.00
WTI 2yr	JE00B1YPB712	US\$5.00
WTI 3yr	JE00B1YPB936	US\$5.00

## **6. UK TAXATION**

### **(a) General**

The following paragraphs summarise certain limited aspects of the UK taxation treatment of holding Oil Securities. They are based on current UK law and HM Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect. The following paragraphs (other than sub-paragraph (f) (*The European Savings Directive*)) relate only to Security Holders who are the absolute beneficial owners of their Oil Securities and within the charge to UK corporation tax. The statements in this summary are intended only as a general guide, and should be treated with appropriate caution. Any person who is contemplating acquiring one or more Oil Securities (whether or not pursuant to the Programme), particularly if that person is subject to taxation in any jurisdiction other than the UK, is strongly recommended to consult their independent professional advisers immediately.

### **(b) The Issuer**

The Directors intend that the affairs of the Issuer will be managed and conducted so that it is and will remain resident in Jersey at all times and that it will not become resident in the UK for UK taxation purposes. Accordingly, provided that the Issuer is so resident and provided that the Issuer does not carry on a trade in the UK through a permanent establishment situated therein for UK taxation purposes, the Issuer will not be subject to UK corporation tax on income and capital gains arising to it. The Directors intend that the affairs of the Issuer are conducted so that no such permanent establishment will arise insofar as this is within their control, but it cannot be guaranteed that the conditions necessary to prevent any such permanent establishment coming into being will at all times be satisfied.

### **(c) Withholding Tax**

No redemption payments made by the Issuer to Security Holders in respect of the Oil Securities are required to be made under deduction or withholding for or on account of UK tax.

### **(d) Corporation Tax on income and gains**

In general, a Security Holder which is subject to UK corporation tax will be treated for tax purposes as realising profits or losses in respect of the Oil Securities in accordance with its accounting treatment, based on generally accepted accounting practice. These profits or losses, (which will include any profits or losses on a disposal or redemption of Oil Securities and which may include fluctuations in value relating to foreign exchange gains and losses) will be treated as income profits or losses for the purposes of a Security Holder's corporation tax computation.

### **(e) Stamp Duty and Stamp Duty Reserve Tax ('SDRT')**

Provided: (i) the Register is not kept by or on behalf of the Issuer in the UK; (ii) any instrument of transfer is not executed in the UK; and (iii) any instrument of transfer does not relate to anything to be done in the UK, neither stamp duty nor SDRT will be payable on the issue or subsequent transfer of an Oil Security.

The redemption of an Oil Security will not give rise to stamp duty or SDRT.

### **(f) The European Saving Directive**

EU Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**") came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest or other income on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in another Member State in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for, the beneficial owner, and could in relation to Oil Securities include a UK broker effecting the sale of Oil Securities.

Oil Securities are undated secured limited recourse debt obligations of the Issuer. However, as no return in respect of Oil Securities (whether in the form of cash on redemption, or as a result of trading on the London Stock Exchange) should constitute a payment of interest for the purposes of the Directive, it is not envisaged that Security Holders or their paying agents will be within the scope of the Directive.

## **7. JERSEY TAXATION**

The Issuer will have “exempt company” status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended, for the calendar year ended 31 December 2006. The Issuer will be required to pay an annual exempt company charge which is currently £600 in respect of each subsequent calendar year during which it wishes to continue to have “exempt company” status. The retention of “exempt company” status is conditional on the Jersey Comptroller of Income Tax being satisfied that no Jersey resident has a beneficial interest in the Issuer, except as permitted by concessions granted by the Jersey Comptroller of Income Tax from time to time, and disclosure of beneficial ownership being made to the Jersey Financial Services Commission.

As an “exempt company”, the Issuer will not be liable to Jersey income tax other than on Jersey source income (concession bank deposit interest on Jersey bank accounts is not treated as Jersey source income).

Security Holders (other than residents of Jersey) should not be subject to any tax in Jersey in respect of the holding, sale or other disposition of Oil Securities.

As part of an agreement reached in connection with the European Union (“EU”) directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced, with effect from 1 July 2005, a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

Under the current proposals in respect of the implementation of such a retention tax system in Jersey the Issuer would not be obliged to levy retention tax in respect of interest payments made by it to a paying agent.

Legislation has been adopted by the States of Jersey which (subject to sanction by the Crown) will, on and from 1 January 2009, introduce a standard rate of corporate tax of 0 per cent. applicable to all companies (other than any “financial services company” (as defined therein) and certain specified Jersey utility companies).

## **8. NETHERLANDS TAXATION**

### **(a) General**

The information set out below is a summary of certain material Dutch tax consequences of the acquisition, ownership and disposition of Oil Securities and it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Oil Securities. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the Netherlands. This summary is based on the tax laws of the Netherlands as in effect on the date of this Prospectus, as well as regulations, rulings and decisions of the Netherlands, or of its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary. Because it is a general summary, holders of Oil Securities should consult their own tax advisors as to the Dutch or other tax consequences of the purchase, holding and disposition of Oil Securities including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws. This summary assumes that the Issuer is not a tax resident nor deemed to be a tax resident of the Netherlands. This summary does not address the tax consequences for holders of Oil Securities that hold an interest of 5 per cent. or more of the Oil Securities or such interest in the

Brent 1mth Oil Securities, the WTI 2mth Oil Securities or any of the other classes, if any, of Oil Securities.

**(b) Withholding tax**

All payments of the Issuer with regard to the Oil Securities will be free from Dutch withholding tax or deduction for or on the account of any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

**(c) Tax on income and capital gains**

*General*

The description of taxation set out in this section of this document is not intended for any holder of Oil Securities, who:

- (i) is an individual and for whom the income or capital gains derived from Oil Securities are attributable to employment activities, the income from which is taxable in the Netherlands;
- (ii) is an entity that is a resident or deemed to be a resident of the Netherlands and that is not subject to or is exempt, in whole or in part, from Dutch corporate income tax;
- (iii) is an investment institution (*beleggingsinstelling*) as defined in the Dutch Corporate Income Tax Act 1969.

*Residents of the Netherlands*

*Individuals*

An individual who is resident or deemed to be resident in the Netherlands, or who opts to be taxed as a resident of the Netherlands for purposes of Dutch taxation (a “**Dutch Resident Individual**”) and who holds Oil Securities is subject to Dutch income tax on income and/or capital gains derived from Oil Securities at the progressive rate (up to 52 per cent.) if:

- (i) the holder has an enterprise or an interest in an enterprise, to which enterprise Oil Securities are attributable; or
- (ii) the holder derives income or capital gains from Oil Securities that are taxable as benefits from “miscellaneous activities” (*resultaat uit overige werkzaamheden*).

If conditions (i) and (ii) mentioned above do not apply, any holder of Oil Securities who is a Dutch Resident Individual will be subject to Dutch income tax on a deemed return regardless of the actual income and/or capital gains benefits derived from Oil Securities. The deemed return amounts to 4 per cent. of the average value of the holder’s net assets in the relevant fiscale year (including Oil Securities) insofar as that average exceeds the exempt net asset amount (*heffingvrij vermogen*). The deemed return is taxed at a flat rate of 30 per cent.

*Entities*

An entity that is resident or deemed to be resident in the Netherlands (a “**Dutch Resident Entity**”) will generally be subject to Dutch corporate income tax with respect to income and capital gains derived from Oil Securities. The Dutch corporate income tax rate is 20 per cent. for the first Euro 25,000 of taxable income, 23.5 per cent. for the taxable income exceeding Euro 25,000, but not exceeding Euro 60,000 and 25.5 per cent. for the taxable income exceeding Euro 60,000 (rates of 2007).

*Non-Residents of the Netherlands*

A person who is not a Dutch Resident Individual or Dutch Resident Entity (a “**Non-Dutch Resident**”) who holds Oil Securities is generally not subject to Dutch income or corporate income tax on income and capital gains derived from Oil Securities, provided that:

- (i) such Non-Dutch Resident does not derive profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Oil Securities are attributable or deemed attributable;

- (ii) in the case of a Non-Dutch Resident who is an individual, such individual does not derive income or capital gains from Oil Securities that are taxable as benefits from “miscellaneous activities” in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*); and
- (iii) such Non-Dutch Resident is neither entitled to a share in the profits of an enterprise nor co-entitled to the net worth of such enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise Oil Securities or payments in respect of Oil Securities are attributable.

If a holder of an Oil Security is not a resident or a deemed resident in the Netherlands, but is a resident in another country, the following may apply. If a double taxation convention is in effect between the Netherlands and the country in which such holder of an Oil Security is resident, such holder may, depending on the terms of and subject to compliance with the procedures for claiming benefits under such double taxation convention, be eligible for a full or partial exemption from Netherlands taxes (if any) on (deemed) income or capital gains in respect of an Oil Security provided such holder is entitled to the benefits of that treaty.

**(d) Gift, estate, or inheritance tax.**

No gift, estate or inheritance tax will arise in the Netherlands on a transfer of an Oil Security by way of gift by, or on the death of a holder of an Oil Security who is neither a resident, nor a deemed resident of the Netherlands, provided that:

- (i) the transfer is not construed as an inheritance, a bequest or a gift by or on behalf of a person who, at the time of the gift or his death, is or was a resident or a deemed resident of the Netherlands;
- (ii) Oil Securities are attributable to an enterprise or part of an enterprise which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
- (iii) the holder of such Oil Securities is entitled to a share in the profits of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise such Oil Securities are attributable.

**(e) Value added tax**

No Netherlands value added tax will be payable by a holder of an Oil Securities in consideration for the issue of the Oil Securities or in respect of the transfer of the Oil Security.

**(f) Other Taxes or Duties**

No Netherlands registration tax, custom duty, transfer tax, stamp duty or any other similar tax or duty, other than court fees, will be payable in The Netherlands by a holder of an Oil Security in respect of or in connection with the subscription, issue, allotment or delivery of the Oil Securities and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the rights under Oil Securities.

**(g) The European Savings Directive**

The EU Savings Directive (the “**Directive**”) came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest on debt claims of every kind made by a paying agent in an EU member State for the benefit of individual investors resident in the EU.

In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for the beneficial owner, and could in relation to the Oil Securities include a broker effecting the sale of Oil Securities on a stock exchange or market.

Oil Securities are undated secured limited recourse debt obligations of the Issuer. However, no return in respect of the Oil Securities, (whether in the form of cash on redemption, or as a result of trading on the London Stock Exchange or Euronext Amsterdam or any other stock exchange or market) should constitute a payment of interest for the purposes of the Directive. (save possibly in cases in which an amount received upon redemption or trading in respect of an Oil Security would exceed the Price per Oil Security on the applicable Pricing Day), it is not envisaged that Security Holders or their paying agents will be within the scope of the Directive.

## 9. TAXATION IN GERMANY

### (a) General

The following is a brief summary of some important principles of German tax law that may be of relevance for German investors acquiring, holding, redeeming or selling Oil Securities. The summary does not fully cover all aspects of German tax law that may be of relevance to Oil Securities. The summary is based on German tax law as of the date of this Prospectus. It should also be noted that the taxation of investors may change at any time as a result of new legislation, court practice or decrees issued by the relevant taxation authorities, potentially with retroactive effect.

There is some uncertainty as to whether the German tax authorities and/or tax courts will treat the Oil Securities as debt instruments or as speculative certificates.

**Investors interested in acquiring the Oil Securities should consult their tax advisors with regard to any tax consequences that may be involved in acquiring, holding, redeeming, selling or gratuitously transferring the Oil Securities. Only a tax advisor is able to adequately assess the individual tax situation of a specific investor.**

### (b) Taxation as speculative certificates

The issuer believes that the Oil Securities should be treated for German tax law purposes as speculative certificates rather than as debt instruments (financial innovations *Finanzinnovation*). Treatment for German tax law purposes as financial innovations requires that either repayment of the investment or a capital income therefrom will be granted or carried out. Since the Oil Securities do not confer the right to any capital income and, in general a holder of Oil Securities is not entitled to require the redemption of Oil Securities (except where there are no Authorised Participants, only Authorised Participants have that right), these requirements are not satisfied and therefore the Issuer believes that the appropriate treatment of the Oil Securities for German tax law purposes should be as speculative certificates.

If the German tax authorities and/or tax courts do treat the Oil Securities as speculative certificates as the Issuer believes they should, any capital gains from the sale or redemption of the Oil Securities by German individual investors would be subject to German personal income tax and solidarity surcharge thereon only if the Oil Securities were redeemed or sold within one year after purchase thereof. If the investor has purchased more than one Oil Security at different times, the Oil Securities first purchased will be deemed to be first sold. Capital gains are fully subject to German income tax if solely or together with capital gains from other speculative instruments (*Gewinne aus privaten Veräußerungsgeschäften*) have reached an amount of EUR 512 or more in one calendar year. Capital gains from speculative investments below this threshold are tax-free. Tax losses realised in such one year period can be set off only against capital gains on other speculative instruments (*Gewinne aus privaten Veräußerungsgeschäften*). If German individual investors hold Oil Securities for longer than one year, capital gains from the sale or the redemption thereof are tax-free, but losses are not tax-deductible.

If the Oil Securities are held as business assets, all capital gains from the sale or redemption of the Oil Securities by German investors will be subject to German personal or corporate income tax and solidarity surcharge thereon. In such case gains will also be subject to German trade tax.

German withholding tax should not be imposed on any income or gains arising on the Oil Securities.

### (c) Taxation as debt instruments

As referred to above, the Issuer believes the Oil Securities should be treated as speculative certificates. Nevertheless, the Issuer cannot be certain that the German tax authorities and/or tax courts will not treat the Oil Securities as debt instruments rather than as speculative certificates.

If the German tax authorities and/or tax courts do notwithstanding the principles referred to above, treat the Oil Securities as debt instruments, German individual investors and German corporate investors would be subject to German personal or corporate income tax and solidarity surcharge on any payment made in respect of the Oil Securities. Such income would also be subject to German trade tax if the Oil Securities are held as assets of a German trade or business. If the Oil Securities are held in custody with a German credit institution or financial service institution (including a German permanent establishment of a foreign institution) as disbursing agent (*inländische auszahlende Stelle*), withholding tax on interest (*Zinsabschlag*) at a rate of 30 per cent. (plus 5.5 per cent. solidarity

surcharge thereon which results in an overall tax charge of 31.65 per cent.) is deducted. In case of an “Over-The-Counter-Transaction”, the tax rate is 35 per cent. (plus 5.5 per cent. solidarity surcharge thereon). The tax deduction should be credited against the investor’s final income tax or corporate income tax liability.

Any capital gains from the sale or the redemption of the Oil Securities by German individual investors or German corporate investors would be subject to German personal or corporate income tax and solidarity surcharge thereon. Where the Oil Securities are held as business assets, the gains will also be subject to trade tax. If the Oil Securities are held in custody with a German credit institution or financial service institution (including a German permanent establishment of a foreign institution) as disbursing agent (*inländische auszahlende Stelle*), withholding tax on interest is imposed at a rate of 30 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon) on the excess of the proceeds arising from the sale or redemption (including accrued and unpaid interest) over the purchase price paid for the Oil Securities. Withholding tax on interest should be credited against the investor’s final income tax or corporate income tax liability.

**(d) Introduction of a Flat Tax (*Abgeltungssteuer*) on investment income and private capital gains**

The German Parliament has approved legislation for corporate income tax reform which is expected to come into force after approval by the Federal President and publication in the Federal Gazette. Under this legislation a flat tax (*Abgeltungssteuer*) on investment income and private capital gains will be introduced which will be levied by German withholding agents as a withholding tax, *inter alia*, on interest income, dividends and capital gains from the disposal of securities held as non-business assets, irrespective of any holding period. Payment of the flat tax would satisfy any income tax liability of the investor in respect of such investment income or private capital gains. The envisaged flat tax would be levied at a rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) on the relevant gross income. However, tax payers would be entitled to apply for a tax assessment on the basis of net taxable income. In this case the personal income tax will be levied on the gross investment income, no expenses related to the investment income except for a small lump-sum tax allowance will be deductible.

Under this legislation the flat tax would take effect from January 1, 2009 but would only be imposed on private capital income or capital gains deriving from assets acquired after December 31, 2008 unless the assets were to qualify as financial innovation (*Finanzinnovation*) or as speculative certificates. If the assets qualify as financial innovation, the flat tax would be levied on private capital income or gains realised after December 31, 2008 even if the assets were to be acquired prior to January 1, 2009. If the assets qualify as speculative certificates, as the Issuer believes they should be, and were purchased after March 14, 2007, the flat tax would be levied on capital gains realized after June 30, 2009.

If the flat tax were introduced in the form approved, payments on the Oil Securities would be subject to withholding obligations and at tax rates as described if the Oil Securities are held in custody with a German credit institution or financial service institution (including a German permanent establishment of a foreign institution) as disbursing agent (*inländische auszahlende Stelle*).

**(e) Applicability of the Investment Tax Act (*Investmentsteuergesetz*)**

The Issuer believes that investors in Oil Securities will not be subject to the German Investment Tax Act. The Oil Securities do not constitute a participation of an investor in a foreign investment fund or a foreign unit of foreign investment funds.

**(f) Gift or inheritance tax**

A transfer of the Oil Securities by way of gift or on death will be subject to German inheritance or gift tax if the investor, or their heir, donee or other beneficiary, is a German resident for German gift or inheritance tax purposes according to the specific rules of the German Gift and Inheritance Tax Act. This may in particular be the case if the investor, heir, donee or other beneficiary is:

- (i) an individual having at the time of the donation or death its residence or habitual abode in Germany or if the individual is a German citizen who has not been living abroad for more than 5 years without having a residence in Germany; or

- (ii) a corporation having its seat or central place of management in Germany, or the Oil Securities constitute business assets attributable to a permanent establishment or a permanent representative in Germany.

**(g) Other taxes**

No stamp, issue, registration or similar direct or indirect taxes or duties will be payable in Germany in connection with the issue, delivery or execution of the Oil Securities, the Global Bearer Certificates or any interest therein. No net asset tax is currently levied in Germany.

**(h) The European Savings Directive**

On 3 June 2003, the Council of the European Union has adopted directive 2003/48/EC on the taxation of savings income in the form of interest payments. Under this directive, Germany is, as of 1 July 2005, required to provide the tax authorities of other member states with details of certain payments of interest paid or secured by a paying agent established in Germany to or for the benefit of an individual resident in that other member state. These details include but are not limited to details of the respective person considered the beneficial owner.

The Issuer believes that for German tax law purposes the Oil Securities should be treated as speculative certificates rather than debt instruments (financial innovation — *Finanzinnovation*) and therefore, the European Savings Directive should not apply to any gains investors receive resulting from their holdings in the Oil Securities. Nevertheless, the Issuer cannot be certain that the German tax authorities and/or tax courts will not take a different view. In such case gains resulting from the Oil Securities may be considered interest under the European Savings Directive resulting in the above mentioned obligations.

**10. TAXATION IN FRANCE**

**(a) General**

The following is a brief summary of some important principles of French tax law that may be of relevance for investors acquiring, holding, redeeming or selling Oil Securities. The summary does not fully cover all aspects of French tax law that may be of relevance to Oil Securities.

The summary is based on French tax law and comments from the French tax authorities as of the date of this Prospectus and on the legal qualification of Oil Securities as Bond instruments. It should be noted that the taxation of investors may change at any time as a result of new legislation, court practice or decrees issued by the relevant taxation authorities, potentially with retroactive effect.

Any persons interested in acquiring the Oil Securities should consult their tax advisors with regard to any tax consequences that may be involved in acquiring, holding, redeeming, selling or gratuitously transferring the Oil Securities. Only a tax advisor is able to adequately assess the individual tax situation of a specific investor. It should be noted that the Oil Securities are intended for professional or institutional investors only.

**(b) Capital Gains Tax (Individuals)**

Upon sale of any Oil Securities, Security Holders may realise a capital gain. Any such capital gain made by an individual investor whose tax residence is in France is subject to taxation if the total proceeds of the disposal in any one year exceed EUR 20,000 (article 150-0 A of the French General Tax Code).

Under current French tax rules capital gains are subject to taxation at the rate of 16 per cent. (article 200 A 2 of the French General Tax Code) increased by:

- the social contribution of 8.2 per cent. (articles 1600 OC and OE of the French General Tax Code);
- the social withholding at the rate of 2 per cent. plus 0.3 per cent. (article 1600 OF bis of the French General Tax Code); and
- the contribution for reimbursement of the Social Debt at the rate of 0.5 per cent. (articles 1600 OG et OL of the French General Tax Code)

which makes a total taxation rate of 27 per cent.

**(c) Income Tax (Individuals)**

Oil Securities do not give rise to any distribution or payment of income whilst held by a Security Holder.

Save in limited circumstances, only Authorised Participants have the right to redeem Oil Securities. Accordingly individual Security Holders are not likely to recognise income from the redemption of Oil Securities.

**(d) Capital Gains Tax (Corporate Investors)**

Any capital gain realised upon the sale of a Oil Security by a Security Holder having its tax residence in France is taken into account for determining the taxable result and is subject to corporate tax at a standard rate of 33<sup>1</sup>/<sub>3</sub> per cent., increased by such additional contributions as may be applicable to the particular Security Holder.

**(e) Income Tax (Corporate Investors)**

Oil Securities do not give rise to any payment of income whilst held by a Security Holder. Save in limited circumstances, only Authorised Participants have the right to redeem Oil Securities. Accordingly Security Holders are not likely to recognise income from the redemption of Oil Securities.

**(f) Non-taxable Institutional Investors**

For an institutional investor who is located in France but who is not within the scope of corporate income tax, any capital gain realised from the sale of Oil Securities is tax exempt.

**(g) Non-French Investors**

*Income Tax*

The redemption premium derived from a bond such as the Oil Securities qualifies for tax exemption when paid to a non-French resident investor.

*Capital Gains Tax*

Any gain realised upon the sale of a Oil Security by a Security Holder who is not a French tax resident is usually not subject to tax in France.

**(h) European Savings Directive**

The EU Savings Directive (the "Directive") came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for the beneficial owner, and could in relation to Oil Securities include a French broker effecting the sale of Oil Securities.

Oil Securities are undated secured limited recourse debt obligations of the Issuer. However, as no return in respect of the Oil Securities whether in the form of cash on redemption or as a result of trading on the Euorlist of Euronext SA should not constitute a payment of interest for the purposes of the Directive, it is not envisaged that holders or their paying agents will be within the scope of the Directive.

**11. TAXATION IN ITALY**

**(a) General**

The information set out below is a summary of certain material Italian tax consequences of the acquisition, ownership and disposition of Oil Securities and it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Oil Securities. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Italy. This summary is based on the tax laws of Italy as in effect on the date of this Prospectus, as well as regulations, rulings and decisions of its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary. Because it is a general summary, holders of Oil Securities should consult their own tax advisors as to the Italian

or other tax consequences of the purchase, holding and disposition of Oil Securities including, in particular, the application to their specific situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws. This summary assumes that the Issuer is not a tax resident nor deemed to be a tax resident of Italy.

**(b) Tax on income and capital gains**

Provided the Oil Securities qualify broadly as derivative instruments for the purposes of Italian tax law, which they are expected to do, then the following consequences apply to a holder in respect of the net proceeds received from a redemption or sale of the Oil Securities over the sum paid by such a holder on their subscription or purchase:

- (i) proceeds from the sale or redemption of the Oil Securities received by a holder which is (a) an Italian resident corporation or similar commercial entity, (b) an Italian individual engaged in entrepreneurial activities to which the Oil Securities are effectively connected, or (c) a permanent establishment in Italy of a non-Italian resident to which the Oil Securities are effectively connected, must be included in the relevant holder's corporate income tax (IRES, applicable at 33 per cent.) determination (and, in certain cases, depending on the status of such holder, may also have to be included in its taxable base for regional tax purposes (IRAP, applicable at rates between 4.25 per cent. and 5.25 per cent.) and are therefore subject to the general Italian corporate tax regime, or to personal income taxation (as business income), as the case may be, according to the ordinary rules;
- (ii) capital gains realised by Italian resident individuals, not engaged in entrepreneurial activities to which the Oil Securities are effectively connected, and by certain other non commercial entities upon the sale for consideration or redemption of the Oil Securities are subject to a substitute tax (*imposta sostitutiva*) currently at the rate of 12.5 per cent. Under the tax return regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, *imposta sostitutiva* on capital gains is chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised pursuant to all disposals of Oil Securities and other financial instruments triggering a capital gain that is subject to the same tax regime, carried out during any given fiscal year. These individuals and non commercial entities must report the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual income tax return to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years;
- (iii) as an alternative to the tax return regime, Italian resident individuals not engaged in entrepreneurial activities to which the Oil Securities are effectively connected and certain other non commercial entities may elect to pay the *imposta sostitutiva* separately on the capital gains realised upon each sale or redemption of the Oil Securities (under a so called "*Risparmio Amministrato*" regime, which is managed through the provision of non discretionary asset management services to a taxpayer). Such a separate taxation of each capital gain is allowed subject to: (a) the Oil Securities being deposited with an Italian bank, a *società di intermediazione mobiliare* (SIM) or with one of certain other authorised financial intermediaries, (b) each relevant capital gain being realised through such intermediary, and (c) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Oil Security holder. The financial intermediary, on the basis of the information provided by the taxpayer, accounts for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Oil Securities (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Oil Securities holder. Under the *Risparmio Amministrato* regime, where a sale or redemption of Oil Securities results in a capital loss, such loss may be used to reduce the subsequent capital gains realised in the same tax year and up to the following fourth. All gains that have been subject to the *Risparmio Amministrato* regime do not have to be included in the yearly income tax return of the holder of Oil Securities;
- (iv) also as an alternative to the tax return regime, the increase or decrease in the fair market value of the Oil Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident individuals not engaged in entrepreneurial

activities to which the Oil Securities are effectively connected, and by certain other non-commercial entities, who have elected for the *Risparmio Gestito* regime (namely, a regime managed by an intermediary providing discretionary management services), will be included in the computation of the annual Net Asset Value accrued appreciation or depreciation of the managed assets, which is subject to a 12.5 per cent. *imposta sostitutiva*, applied directly by the authorised asset manager. Under the *Risparmio Gestito* regime, any net NAV loss reported at year end may be carried forward and deducted against future NAV increases in the four succeeding years. All gains that have been subject to the *Risparmio Gestito* regime do not have to be included in the yearly income tax return of the holder of Oil Securities;

- (v) the increase or decrease in the fair market value of the Oil Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident common funds and hedge funds are included in the determination of the yearly NAV accrued appreciation or depreciation of each fund that is subject to a substitute tax (*imposta sostitutiva*) currently at a rate of 12.5 per cent.;
- (vi) the increase or decrease in the fair market value of the Oil Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident pension funds (subject to the regime provided for by articles 14, 14 ter and 14 quater, paragraph 1, of Legislative Decree 21 April 1993, no. 124 as further substituted by Legislative Decree no. 252 of 5 December 2005) are included in the determination of the yearly NAV accrued appreciation or depreciation of the assets under management that is subject to a substitute tax (*imposta sostitutiva*) currently at a rate of 11 per cent.;
- (vii) non-Italian resident holders without a permanent establishment in Italy to which the Oil Securities are effectively connected are not subject to income tax in Italy on the proceeds realised on the sale of the Oil Securities, provided that:
  - the Oil Securities have been deposited in Italy and are traded on an official market;
  - the Oil Securities have been deposited in Italy and the holder is a resident of a country which allows a satisfactory exchange of information with the Italian tax authorities and certain filing requirements have been complied with by the holder; or
  - the Oil Securities have not been deposited in Italy.

If, instead of being treated as derivative instruments as expected, the Oil Securities were to be characterised as debt instruments representing so-called “atypical securities” pursuant to Article 8 of Law Decree No. 512 of 30 September 1983, (as amended) a different tax treatment would apply. Interest and other proceeds received from “atypical securities” issued by non-Italian resident issuers are subject to a 27 per cent. withholding tax applied by an Italian resident intermediary intervening in the payment save where held by a commercial partnership, a commercial private and public institution resident in Italy for tax purposes or by an Italian permanent establishment of a non-Italian resident same terms as described under paragraph b(i) above. However, it is expected that the Oil Securities should qualify broadly as derivative instruments rather than as “atypical securities”.

### **(c) Inheritance and Gift Taxes**

Italian inheritance and gift taxes were abolished by Law no. 383 of 18 October 2001 in respect of gifts made or succession proceedings started after 25 October 2001 and then recently reintroduced by Law Decree no. 262 of 3 October 2006, converted with amendments into Law no. 286 of 24 November 2006, entered in force on 29 November 2006 and further modified by Law No. 296 of 27 December 2006, effective as of 1 January 2007. Further to the above law amendments, the transfer by inheritance of the Oil Securities in respect of succession proceedings started from 3 October 2006 and is currently subject to inheritance tax at the following rates:

- (i) when the beneficiary is the spouse or a relative in direct lineage, the value of the Oil Securities transferred to each beneficiary exceeding Euro 1,000,000 is subject to a 4 per cent. rate;
- (ii) when the beneficiary is a brother or a sister, the value of the Oil Securities exceeding Euro 100,000 for each beneficiary is subject to a 6 per cent. rate;

- (iii) when the beneficiary is a relative within the fourth degree or is a relative-in-law in direct and collateral lineage, the value of the Oil Securities transferred to each beneficiary is subject to a 6 per cent. rate;
- (iv) in cases different from points (i), (ii) and (iii) the value of the Oil Securities transferred to each beneficiary is subject to an 8 per cent. rate. The transfer of the Oil Securities by reason of a donation filed for registration from 29 November 2006 is broadly subject to gift tax at the following rates:
- (v) when the donee is the spouse or a relative in direct lineage, the value of the Oil Securities gifted to each beneficiary exceeding Euro 1,000,000 is subject to a 4 per cent. rate;
- (vi) when the beneficiary is a brother or a sister, the value of the Oil Securities exceeding Euro 100,000 for each beneficiary is subject to a 6 per cent. rate;
- (vii) when the donee is a relative within the fourth degree or a relative-in-law in direct and collateral lineage, the value of the Oil Securities gifted to each beneficiary is subject to a 6 per cent. rate; and
- (viii) when the donee is a person not listed under previous points (v), (vi) and (vii), the value of the Oil Securities gifted to each beneficiary is subject to an 8 per cent. rate.

If the beneficiary of the transfer for gift purposes or *mortis causa* is a qualifying heavily disabled individual under Law 5 February 1992, No. 104, the gift or inheritance tax is levied exclusively on the part of the net transferred value exceeding Euro 1,500,000.

#### **(d) Value Added Tax**

No Italian Value Added Tax will be payable by a holder of Oil Securities in consideration for the issue or transfer of Oil Securities.

#### **(e) Securities Transfer Tax**

The purchase and sale of Oil Securities should not be subject to the Italian securities transfer tax of Royal Decree no. 3278 of 1923 and later amendments. It should be noted under the mentioned securities transfer tax law, all trades executed on an official stock exchange are in any case exempt from tax.

#### **(f) The European Savings Directive**

The EU Savings Directive (the “**Directive**”) came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for the beneficial owner, and could in relation to Oil Securities include an Italian broker effecting the sale of Oil Securities. Oil Securities are undated secured limited recourse debt obligations of the Issuer. However, as no return in respect of Oil Securities (whether in the form of cash on redemption, or as a result of trading on the ETFplus market of the Borsa Italiana s.p.a.) should constitute a payment of interest for the purposes of the Directive, it is not envisaged that holders or their paying agents will be within the scope of the Directive.

#### **(g) Reform of taxation of financial revenue**

A bill of law (namely A.C. 1762/XV) was recently presented by the Government to the Italian Parliament for a delegation to be granted to the same Government to issue, within six months from the entering into force of the bill of law, one or more legislative decrees introducing a general reform of the Italian tax treatment of financial income and capital gains of a financial nature. The guidelines provided by the bill of law for this purpose include the adoption of a common rate of tax not to exceed a maximum of 20 per cent. for all the relevant withholding and substitutive tax regimes. The legislative decree to be issued by the Government within six months from the entry in force of the delegation law may provide for a deferral of effectiveness of the new tax regime of up to one year after the enactment of the same legislative decree.

## 12. SOURCES

The statements under the heading “Overview” in Part 2 (*Crude Oil & Futures Markets*) that over the past several decades Oil has been the world’s foremost source of primary energy consumption and that North America has the highest global consumption of Oil per capita at approximately 2.8 gallons per capita per day compared to the world average of 0.5 gallons per capita per day, are derived from the International Energy Outlook (2006), published by the Energy Information Administration.

The statement under the heading “Oil Supply and Demand” in Part 2 (*Crude Oil & Futures Markets*) that the largest OPEC producer is Saudi Arabia with production of 11 Mbl/day in 2006, has been sourced from the BP Statistical Review of World Energy June 2007.

The statements under the heading “Oil Supply and Demand” in Part 2 (*Crude Oil & Futures Markets*), that over the past twenty years, Oil has provided approximately 39 per cent. of the world’s energy with natural gas and coal providing approximately 25 per cent. each and that the EIA expects oil’s share of world energy will remain in the range of 33 per cent. to 39 per cent. despite expectations that countries in many parts of the world will be switching from Oil to natural gas and other fuels for their electricity generation are derived from the International Energy Outlook (2006), published by the Energy Information Administration.

The table under the heading “Oil Supply and Demand” in Part 2 (*Crude Oil & Futures Markets*), setting out global Oil production and Oil reserves between 2002 and 2006, has been sourced from the BP Statistical Review of World Energy June 2007.

The table under the heading “Oil Supply and Demand” in Part 2 (*Crude Oil & Futures Markets*) setting out global Oil consumption between 2002 and 2006, has been sourced from the BP Statistical Review of World Energy June 2007.

The graph under the heading “Oil Prices” in Part 2 (*Crude Oil & Futures Markets*), setting out average annual Oil prices during the period 1976 to 2007, has been created by ETFSL and based on figures derived from market data published by Bloomberg.

The graph under the heading “Term Structure of Oil Futures” in Part 2 (*Crude Oil & Futures Markets*) showing the shape of the futures curve on 1 May 2002 and 1 May 2007, has been created by ETFSL and based on figures derived from market data published by Bloomberg and the BP Statistical Review of World Energy June 2007.

The graph under the heading “Term Structure of Oil Futures — Backwardation and Contango” in Part 2 (*Crude Oil & Futures Market*) highlighting daily backwardation/contango, has been created by ETFSL and based on figures derived from market data published by Bloomberg.

The data in the table headed “Average Daily Volume (US\$ million) under the heading “Oil Futures” in Part 2 (*Crude Oil and Futures Markets*) is based on figures derived from market data published by Bloomberg.

The Oil Securities component returns included in the table under the heading “Simulated Historical Returns” in Part 3 (*Historical Simulations for Oil Securities*) have been calculated by ETFSL on the basis of figures derived from market data published by Bloomberg.

The information referred to in this paragraph 12 above has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by the referenced third party source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 13. GENERAL

- (a) The Issuer’s auditors are Ernst & Young LLP of Unity Chambers, 28 Halkett Street, St. Helier, Jersey JE1 1EY, Channel Islands. The annual reports of the Issuer for the periods ended 31 December 2005 and 31 December 2006 are reproduced at the end of this document. References to page numbers therein are to the page numbers in the original signed reports.
- (b) There has been no significant change in the financial or trading position of the Issuer since 31 December 2006.
- (c) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document, a

significant effect on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened by or against the Issuer.

- (d) All Oil Securities in issue at the date of this document have been admitted to the Official List and admitted to trading on the Domestic Market of the London Stock Exchange (a regulated market). Applications have been made to the UK Listing Authority for all the Oil Securities to be issued within 12 months from the date of this document to be admitted to the Official List and to the London Stock Exchange for such securities to be admitted to trading on the Domestic Market of the London Stock Exchange (a regulated market).
- (e) The Brent 1mth Oil Securities are admitted to trading on the Global Market of the Bolsa Mexicana de Valores (Mexican Stock Exchange).
- (f) Brent 1mth Oil Securities and WTI 2mth 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. Brent 1mth Oil Securities and WTI 2mth Oil Securities have also been admitted to trading on the Official Market (Amtlicher Markt) of the Frankfurt Stock Exchange since 30 October 2006, the Eurolist of Euronext Paris SA since 12 February 2007 and the ETF plus market of the Borsa Italiana since the 20 April 2007.

No application has been or is currently being made for the New Securities to be admitted to listing or trading on any exchange or market outside the UK, but the Issuer may cause such application to be made in respect of the New Securities of any or all classes on any such exchange or market in its discretion.

The UK Financial Services Authority will remain the competent authority for the purposes of approving all Prospectuses published by the Issuer under the Prospectus Directive.

- (g) The Issuer intends to publish annual financial statements and Pricing Supplements as required by Listing Rules and to publish Prices and other information on its website, as described under the heading "Calculation and Publication of Prices" in Part 1 (*General*). Save as aforesaid, the Issuer does not intend to provide post-issuance information.

#### **14. DOCUMENTS AVAILABLE FOR INSPECTION**

For the duration of the Programme or so long as any Oil Securities remain outstanding, copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the Service Agreement;
- (c) the Oil Purchase Agreement;
- (d) the Letter of Credit (and any agreement entered into with a Substitute Credit Provider);
- (e) the Business Development Agreement;
- (f) the Authorised Participant Agreements;
- (g) the Trust Instrument;
- (h) the Security Deeds;
- (i) the Registrar Agreement;
- (j) the Corporate Administration Agreement;
- (k) the Licence Agreements;
- (l) the Articles of Incorporation of Shell Trading Switzerland;
- (m) the Memorandum and Articles of Association of Shell Treasury;
- (n) the published audited reports and accounts of Shell Treasury for the two years ended 31 December 2005 and 31 December 2006;
- (o) the published audited reports and account of Shell Trading Switzerland for the periods ended 31 December 2005 and 31 December 2006;

- (p) the published audited reports and accounts of the Issuer for the periods ended 31 December 2005 and 31 December 2006;
- (q) the agreement between the Issuer, Clearstream Banking Aktiengesellschaft and HSBC Trinkaus & Burkhardt AG dated 20 October 2006, including the form of the Global Bearer Certificates and the text of the conditions of the Global Bearer Certificates; and
- (r) the Other Adjustment Agreement.

#### **15. JERSEY LAW CONSENTS**

A copy of this document has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to the circulation of this document.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order, 1958, to the Issuer to issue from time to time the Oil Securities.

The Issuer, ETFSL, the Company Secretary and the Registrar have each obtained a permit under the Collective Investment Funds (Jersey) Law, 1988, as amended, (the "CIF Law") to enable it to undertake its functions in relation to the Oil Securities. The Jersey Financial Services Commission is protected by the CIF Law against liability arising from the discharge of its functions thereunder.

It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Affiliate”	means, with respect to any person, entity or organisation, any other person, entity or organisation which directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, entity or organisation; and for this purpose, “control” means the direct or indirect ownership of fifty per cent. or more in aggregate of voting capital
“aggregate Entitlement”	means the sum of the Entitlement for each class of Oil Security multiplied by the number of Oil Securities of such class issued and outstanding
“Applicant”	means an Authorised Participant who makes an Application for Oil Securities
“Application”	means an offer by an Applicant to the Issuer to subscribe for Oil Securities, being an offer on terms referred to in an Application Form and this document and in accordance with the provisions of the relevant Authorised Participant Agreement
“Application Form”	means the application form to be used in connection with the Programme
“Application Moneys”	means, for an Application, all moneys paid or to be paid to or to the order of the Issuer by the Applicant in respect of the Application
“Authorised Participant”	means a person who has entered into an Authorised Participant Agreement and who is both (a) a securities house or other market professional approved by the Issuer and (b) an Authorised Person, an Exempt Person or an Overseas Person (c) and is not a UCITS Scheme.
“Authorised Participant Agreement”	means an agreement between the Issuer, ETFSL and an Authorised Participant dealing with the creation of Oil Securities in connection with market making activities carried on by the Authorised Participant
“Authorised Person”	means a person authorised by the FSA for the purposes of FSMA
“Board”	means the board of directors of the Issuer
“Brent 1mth Oil Securities”	means Brent class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“Brent 1yr Oil Securities”	means Brent 1yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“Brent 2yr Oil Securities”	means Brent 2yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“Brent 3yr Oil Securities”	means Brent 3yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“Brent Contract”	means a futures contract for Brent blend crude oil which is a “Contract” for the purposes of the ICE Futures Regulations
“Brent 1mth Pool”	means the Pool created by the Issuer on the first issue of Brent 1mth Oil Securities and to which all the Brent 1mth Oil Securities are attributable

“Brent 1 yr Pool”	means the separate fund or pool created by the Company to which the Brent 1 yr Oil Securities are attributable
“Brent 2 yr Pool”	means the separate fund or pool created by the Company to which the Brent 2 yr Oil Securities are attributable
“Brent 3 yr Pool”	means the separate fund or pool created by the Company to which the Brent 3 yr Oil Securities are attributable
“Brent Oil Contract”	means an Oil Contract the Relevant Month Contracts for which are Brent Contracts
“Brent-referenced Oil Securities”	means Brent 1mth Oil Securities, Brent 1yr Oil Securities, Brent 2yr Oil Securities and Brent 3yr Oil Securities
“Business Day”	means a Day (other than a Saturday or a Sunday) on which banks are open for the transaction of general business in London
“Business Development Agreement”	means the business development agreement dated 13 July 2005 (as amended by an Amendment and Restatement Agreement dated on or about the date of this Prospectus) between Shell Trading Switzerland, the Issuer, ETFSL and Shell Treasury
“Certificated” or “Certificated Form”	means not in Uncertificated Form
“class”	means a class of Oil Contract or a class of Oil Securities, the Price of which is determined by reference to, for Oil Contracts a particular Near Contract, Next Contract, Near Entitlement and Next Entitlement and includes the following classes: Brent 1mth class, Brent 1yr class, Brent 2yr class, Brent 3yr class, WTI 2mth class, WTI 1yr class, WTI 2yr class and WTI 3yr class
“Cleared Funds”	means immediately available funds
“Clearstream”	means Clearstream Banking Aktiengesellschaft
“Closing Range”	means, in respect of a Relevant Month Contract for a WTI Oil Contract on a Trading Day, the final two minutes of trading during the Regular Trading Hours trading session on the floor of NYMEX in New York in that Relevant Month Contract
“Company Secretary”	means R&H Fund Services (Jersey) Limited
“Conditions”	means (save, prior to the Effective Date, in respect of the Existing Securities) the terms and conditions of the Oil Securities in the form set out in the Second Schedule ( <i>The Conditions</i> ) to the Trust Instrument and replicated in Part 7 ( <i>Particulars of the Oil Securities</i> )
“Controller”	means, in relation to any company, a person who: <ul style="list-style-type: none"> <li>(a) holds 10 per cent. or more of the shares in such company;</li> <li>(b) is able to exercise significant influence over the management of such company by virtue of his shareholdings in such company;</li> <li>(c) holds 10 per cent. or more of the shares in a parent undertaking of such company;</li> <li>(d) is able to exercise significant influence over the management of the parent undertaking of such company;</li> <li>(e) is entitled to exercise, or control the exercise of, 10 per cent. or more of the voting power in such company;</li> <li>(f) is able to exercise significant influence over the management of such company by virtue of his voting power in such company;</li> </ul>

- (g) is entitled to exercise, or control the exercise of, 10 per. cent. or more of the voting power in the parent undertaking of such company; or
- (h) is able to exercise significant influence over the management of the parent undertaking of such company by virtue of his voting rights

“Corporate Administration Agreement”	means the corporate administration agreement dated 13 July 2005 between the Issuer and Computershare Investor Services (Channel Islands) Limited, the obligations of the latter under which were assumed by the Company Secretary by a Novation Agreement dated 11 July 2006 made between the Issuer, Computershare Investor Services (Channel Islands) Limited and R&H Fund Services (Jersey) Limited, described under the heading “Management and Administration” in Part 1 ( <i>General</i> )
“Creation Date”	means, in respect of an Oil Contract, the Pricing Day on which the Issuer submits notice to an Oil Major Company, in accordance with the terms of the applicable Oil Purchase Agreement, for the creation of that Oil Contract
“Creation Day”	means, in respect of any Oil Contract, the Pricing Day on which the Creation Notice for that Oil Contract is given
“Creation Fee”	means the fee payable by an Applicant to the Issuer in respect of the creation of Oil Securities
“Creation Notice”	means a notice sent by the Issuer to an Oil Major Company which requests that such Oil Major Company create: <ul style="list-style-type: none"> <li>(i) a whole number of Oil Contracts of a given class, as specified in such notice; or</li> <li>(ii) such whole number of Oil Contracts of a given class as would correspond as close as possible to, but not more than, an amount in US Dollars specified in such notice</li> </ul>
“Creation Price”	means, for each Oil Security, the relevant Price (or such other price as may be agreed on any occasion between the relevant Applicant and the Issuer) and the Creation Price for a number of Oil Securities of a particular class means the Creation Price for a single Oil Security of that class multiplied by that number
“Credit Provider”	means, (a) in respect of Shell Trading Switzerland’s obligations to make payments under the Oil Purchase Agreement, Shell Treasury or any Substitute Credit Provider, and (b) in respect of any other Oil Major Company, a provider of credit under any Letter of Credit or Substitute Credit
“CREST”	means the system of paperless settlement of transfers and the holding of securities in Uncertificated Form administered by CRESTCo Limited
“Daily Adjustment”	means the adjustment to the Entitlement to be made on each Daily Adjustment Day as described and calculated in Part 4 ( <i>Description of Oil Securities</i> ) under the heading ‘Pricing of Oil Securities — Daily Adjustment and Multiplier’
“Daily Adjustment Day”	means, in respect of all classes of Oil Contracts, for any calendar year, a Trading Day as notified by ICE Futures to participants on the ICE Futures Market as at 1 January in that year
“December Contract”	means any Brent Contract or WTI Contract specified as maturing in December by the Relevant Exchange (and “ <b>December Brent Contract</b> ” and “ <b>December WTI Contract</b> ” shall be construed accordingly)

“Defaulted Obligation”	means the failure of the Issuer to make or procure payment in respect of the redemption of any Oil Securities when due, and such failure is not remedied within 48 hours of receipt of notice requiring remedy of the same.
“Designated Event”	means that Shell Treasury consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets (or substantially all of the assets comprising the business conducted by Shell Treasury as of the date of the Letter of Credit) to, or reorganises, reincorporates, or reconstitutes into or as, another entity
“Directors”	means the directors of the Issuer, being at the date of this document the persons whose names are listed as such in “Directors, Secretary and Advisers” below
“Documents”	means this document, the Trust Instrument, the Security Deeds, all Authorised Participant Agreements, the Oil Purchase Agreement, all contract confirmations evidencing Oil Contracts, the Registrar Agreement, the Service Agreement, the Business Development Agreement, the Licence Agreement and the Letter of Credit
“Effective Date”	means: <ul style="list-style-type: none"> <li>(a) for Brent 1mth and WTI 2mth class Oil Contracts, 31 August 2007 (the “<b>Second Effective Date</b>”); and</li> <li>(b) for all other classes of Oil Contract, the date of this Prospectus (the “<b>First Effective Date</b>”)</li> </ul>
“Entitlement”	means, in respect of any Oil Security of class i on Pricing Day t, the sum of the Near Entitlement and the Next Entitlement for such class on such day
“ETFSL”	means ETF Securities Limited, a company incorporated and registered in Jersey, with registered number 88370
“Exchange”	means ICE Futures or NYMEX, as the context may require
“Exempt Person”	means a person who, in entering into and performing the terms of an Authorised Participant Agreement, is acting in the course of a business comprising a regulated activity in relation to which it is exempt from the need to be an Authorised Person as a result of a provision of FSMA or associated secondary legislation
“Existing Securities”	means Brent 1mth Oil Securities and WTI 2mth Oil Securities
“Expert”	means an independent expert appointed by the President of the Energy Institute pursuant to the terms of an Oil Purchase Agreement
“Extraordinary Resolution”	means in respect of any one or more classes of Oil Securities of any class, a resolution passed at a meeting of the Security Holders of such class or classes duly convened and held in accordance with the provisions contained in the Trust Instrument and carried by a majority consisting of not less than three fourths of the persons voting on it upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three fourths of the votes given on such poll
“FSA”	means the Financial Services Authority of the United Kingdom
“FSA Glossary”	means the glossary giving the meaning of the defined expressions used in the Handbook
“FSMA”	means the Financial Services and Market Act 2000 as amended

“Global Bearer Certificate”	means a Global Bearer Certificate issued by Clearstream as described under heading “Settlement — Settlement and Delivery on the Frankfurt Stock Exchange” in Part 6 (The Programme)
“Handbook”	means the FSA’s Handbook of Rules and Guidance as amended
“holding company”	has the meaning given to that term in the Companies Act 1985 (as amended)
“ICE Futures”	means ICE Futures or its successor
“ICE Futures Market”	means the market for Brent crude oil futures operated by ICE Futures
“ICE Futures Regulations”	means the rules, regulations, contract terms and conditions adopted by the ICE Futures Market from time to time
“Insolvency Event”	means in respect of a person, any proceedings being commenced or order being made by any competent court for, or any resolution being passed by that person to apply for, a winding-up or dissolution of that person (other than an amalgamation, merger, consolidation, reorganisation or other similar arrangement or proceedings for winding-up or dissolution which are being contested in good faith and are discharged within 20 Business Days) or any application being made or other steps being taken by or on behalf of that person for the appointment of an administrator or similar or analogous official in relation to that person, or any appointment being made of a receiver, administrative receiver, administrator or similar or analogous official in relation to that person or all or substantially all of its assets or any distress or execution being levied or enforced upon or sued out against, or any encumbrancer taking possession of, all or substantially all of the assets of that person and any other analogous or similar proceedings or events occurring in any jurisdiction, or that person ceasing or threatening to cease to carry on its business or being unable to pay its debts as they become due
“Issuer”	means ETFS Oil Securities Limited, a company incorporated and registered in Jersey with registered number 88371
“Jersey”	means the Island of Jersey, Channel Islands
“Last Remaining Trading Day”	means: <ul style="list-style-type: none"> <li>(a) for Brent 1mth and WTI 2mth Oil Securities, in respect of any Roll Period, the last Trading Day when the contract which was the Near Contract as at the first Trading Day of that Roll Period is permitted to be traded on the ICE Futures Market or NYMEX Market, as applicable; and</li> <li>(b) for all other classes of Oil Security, in respect of any Roll Year, the last Trading Day when the contract which was the Near Contract as at the first Trading Day of that Roll Year is permitted to be traded on the ICE Futures Market or NYMEX Market, as applicable</li> </ul>
“Last Scheduled Roll Day”	means for Oil Securities of any class other than Brent 1mth and WTI 2mth, as of any Trading Day in a Roll Year, the Day which would be the last Roll Day in that Roll Year for such class if there were no Market Disruption Days after such Trading Day
“Letter of Credit”	means (a) in respect of Shell Trading Switzerland, (i) the letter of credit dated 13 July 2005 issued by Shell Treasury in favour of the Issuer, as initially confirmed on 24 April 2006 and as further confirmed on 19 July 2007, in respect of Shell Trading

	Switzerland's obligations to make payments under the Oil Purchase Agreement, and (ii) any Substitute Credit; and (b) in respect of any other Oil Major Company means (i) a standby letter of credit issued by a Credit Provider, in favour of the Issuer in respect of an Oil Major Company's obligations to the Issuer under the Oil Purchase Agreement, and (ii) any Substitute Credit
"Licence Agreement"	means together (i) the licence agreement dated 12 July 2005 between the Issuer, ETFSL and NYMEX and (ii) the market data agreement, dated 12 July 2005 (as amended on or about the date of this Prospectus) between the Issuer and NYMEX;
"Listing"	means the admission of Oil Securities to the Official List becoming effective in accordance with the Listing Rules and admission of such securities to trading on the London Stock Exchange's market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market)
"Listing Rules"	means the listing rules of the UK Listing Authority from time to time, made under section 73A of the Financial Services and Markets Act 2000
"London Stock Exchange"	means London Stock Exchange plc or its market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market), as the context may require
"Management Expenses"	means the management fee payable by the Oil Major Companies to the Issuer pursuant to the relevant Oil Purchase Agreement, as described in Part 1 ( <i>General</i> ) under the heading "Management Expenses"
"Market Disruption Day"	means in respect of any Trading Day where any of the following occurs: <ul style="list-style-type: none"> <li>(a) for Brent Oil Contracts of any class: <ul style="list-style-type: none"> <li>(i) ICE Futures' failing to determine, announce or publish the Settlement Price with respect to a Relevant Month Contract in respect of that class (or announcing that it will or expects to fail to do so) by midnight on that Trading Day; or</li> <li>(ii) there being no Pricing Window for any such Relevant Month Contract during that Trading Day; and</li> </ul> </li> <li>(b) for WTI Oil Contracts for any class: <ul style="list-style-type: none"> <li>(i) NYMEX's failing to determine, announce or publish the Settlement Price with respect to a Relevant Month Contract (or announcing that it will or expects to fail to do so) by midnight on that Trading Day;</li> <li>(ii) NYMEX's failing to announce or to publish the time at which the Closing Range takes place before the occurrence of such Closing Range; and</li> </ul> </li> <li>(c) for WTI 2mth Oil Contracts only, NYMEX announcing or publishing on a Trading Day that the Settlement Price in respect of that Trading Day shall not be determined in accordance with or pursuant to NYMEX Rule 6.52(A)</li> </ul>
"Moody's"	means Moody's Investors Service, Inc.
"Multiplier"	means the number calculated in accordance with as in Part 4 ( <i>Description of Oil Securities</i> ) under the heading "Pricing of Oil Securities — Daily Adjustment and Multiplier"

“Near Contract”	<p>means:</p> <ul style="list-style-type: none"> <li>(a) for Brent 1mth Oil Securities, in respect of any Trading Day in a month: <ul style="list-style-type: none"> <li>(i) up to and including the end of the Roll Period in that month, the Brent Contract in which trading ceases in that month; and</li> <li>(ii) after such Roll Period, the Brent Contract in which trading ceases in the immediately following month</li> </ul> </li> <li>(b) for WTI 2mth Oil Securities, in respect of any Trading Day in a month: <ul style="list-style-type: none"> <li>(i) up to and including the end of the Roll Period in that month, the WTI Contract in which trading ceases in the immediately following month (Second Month); and</li> <li>(ii) after such Roll Period, the WTI Contract in which trading ceases in the Second Month and</li> </ul> </li> <li>(c) for Brent 1yr and WTI 1yr Oil Contracts on any Trading Day, up to and including the end of the Roll Year in which that Trading Day falls, the shortest-dated December Brent Contract or, as the case may be, WTI Contract;</li> <li>(d) for Brent 2yr and WTI 2yr Oil Contracts on any Trading Day, up to and including the end of the Roll Year in which that Trading Day falls, the second shortest-dated December Brent Contract or, as the case may be, WTI Contract; and</li> <li>(e) for Brent 3yr and WTI 3yr Oil Contracts on any Trading Day, up to and including the end of the Roll Year in which that Trading Day falls, the third shortest-dated December Brent Contract or, as the case may be, WTI Contract</li> </ul>
“Near Contract Price”	<p>means, for an Oil Security of any class the Settlement Price of the Near Contract for that class</p>
“Near Entitlement”	<p>means, for each Oil Security of class <math>i</math> on Pricing Day <math>t</math>, <math>E_1(i,r)</math> calculated as described under the heading “Pricing of Oil Securities — Entitlement” in Part 4 (<i>Description of Oil Securities</i>) and in accordance with Conditions 5.5 for Brent 1mth and WTI 2mth Oil Securities and 5.6 for all other classes of Oil Securities subject in each case to the provisions of Condition 7 as set out in Part 7 (<i>Particulars of the Oil Securities</i>)</p>
“New Securities”	<p>means Brent 1yr Oil Securities, Brent 2yr Oil Securities, Brent 3yr Oil Securities, WTI 1yr Oil Securities, WTI 2yr Oil Securities and WTI 3yr Oil Securities</p>
“Next Contract”	<p>means:</p> <ul style="list-style-type: none"> <li>(a) for Brent 1mth Oil Securities and WTI 2mth Oil Securities, the Brent Contract or, as the case maybe, WTI Contract in which trading ceases in the month immediately following the month in which the Near Contract ceases trading, and</li> <li>(b) for Oil Securities of any other class, the December Brent Contract or December WTI Contract specified by the relevant Exchange as maturing in December immediately following that in which the corresponding Near Contract matures</li> </ul>
“Next Contract Price”	<p>means for an Oil Security of any class the Settlement Price of the Next Contract for that class</p>

“Next Entitlement”	means, for each Oil Contract of class i on Pricing Day t, $E_2(i,r)$ calculated as described under the heading “Pricing of Oil Securities — Entitlement” in Part 4 ( <i>Description of Oil Securities</i> ) and in accordance with Conditions 5.5 for Brent 1mth and WTI 2mth Oil Securities and 5.6 for all other classes of Oil Securities subject in each case to the provisions of Condition 7 as set out in Part 7 (Particulars of the Oil Securities)
“Notice Deadline”	means on a Trading Day in respect of an Exchange, the earlier of (i) 3.00 p.m. (London time) and, (ii) if in respect of that Trading Day the relevant Exchange has notified market participants that trading will close early on the ICE Futures Market or the NYMEX Market as the case may be, three hours before the commencement of the period by reference to which the relevant Settlement Price is to be calculated
“NYMEX”	means the New York Mercantile Exchange, Inc. of World Financial Center, One North End Avenue, New York, NY 10282-1101 or its successor
“NYMEX Market”	means the market for WTI contracts operated by NYMEX
“NYMEX Rules”	means the Rules of NYMEX
“Official List”	means the official list of the UK Listing Authority
“Oil Company Default”	means: <ul style="list-style-type: none"> <li>(a) the occurrence of an Oil Company Insolvency Event,</li> <li>(b) an Oil Major Company failing to make any payment when due under an Oil Purchase Agreement, where such failure is not rectified within five Business Days following the day on which the Oil Major Company receives notice of the failure from the Issuer in accordance with the terms of the Oil Purchase Agreement or</li> <li>(c) the expiration or termination of a Letter of Credit or Substitute Credit (other than where the Letter or Credit or Substitute Credit is replaced by a Substitute Credit) or the failing or ceasing of a Letter of Credit or Substitute Credit to be in full force and effect, in each case other than in accordance with its terms (other than where the Letter of Credit or Substitute Credit is replaced by another Substitute Credit in full force and effect for such purpose) prior to the satisfaction by the relevant Oil Major Company of all its obligations under the Oil Purchase Agreement to which such Letter of Credit or Substitute Credit relates, without the written consent of the Issuer</li> </ul>
“Oil Company Insolvency Event”	means, in respect of any Oil Major Company with which the Oil Purchase Agreement has been entered into with the Issuer and Oil Contracts are outstanding, any proceedings being commenced or order being made by any competent court for, or any resolution being passed by such Oil Major Company to apply for, a winding-up or dissolution of that Oil Major Company (other than an amalgamation, merger, consolidation, reorganisation or other similar arrangement or proceedings for winding-up or dissolution which are being contested in good faith and are discharged within 20 Business Days) or any application being made or other steps being taken for the appointment of an administrator in relation to that Oil Major Company, or any appointment being made of a receiver, administrative receiver, administrator or similar official in relation to that Oil Major Company or its assets or any distress or execution being levied or enforced upon or sued out against, or any

encumbrance taking possession of, the assets of that Oil Major Company and any other analogous or similar proceedings or events occurring in any jurisdiction or that Oil Major Company ceasing or threatening to cease to carry on business or being or being deemed to be, unable to pay its debts as they become due	
“Oil Contract”	means an agreement purchased or to be purchased by the Issuer from an Oil Major Company under an the Oil Purchase Agreement entitling the Issuer on redemption thereof or resale back to the Oil Major Company to payment of an amount calculated by reference to the relevant Price on the relevant Pricing Day and “ <b>Brent 1mth Oil Contract</b> ”, “ <b>Brent 1yr Oil Contract</b> ”, “ <b>Brent 2yr Oil Contract</b> ”, “ <b>Brent 3yr Oil Contract</b> ”, “ <b>WTI 2mth Oil Contract</b> ”, “ <b>WTI 1yr Oil Contract</b> ”, “ <b>WIT 2yr Oil Contract</b> ” and “ <b>WTI 3yr Oil Contract</b> ” shall be construed accordingly
“Oil Major Company”	means a company which is any of: <ul style="list-style-type: none"> <li>(a) a member of the Shell Group,</li> <li>(b) any of Exxon Mobil Corporation, BP p.l.c., Total S.A., Chevron Corporation, Eni S.p.A., or any subsidiary of any of them, and</li> <li>(c) any other company which (i) owns oil, the rights to oil or has assets linked to the oil price and (ii) has a long term senior debt credit rating of at least BBB- from Standard &amp; Poor’s and of at least Baa3 from Moody’s, provided in the case of the Brent 1mth Pool, Brent 1yr Pool, Brent 2yr Pool, Brent 3yr Pool, WTI 2mth Pool, WTI 1yr Pool, WTI 2yr Pool and WTI 3yr Pool that the aggregate amount of Oil Contracts from such companies at the time of entering into an Oil Purchase Agreement is less than half the aggregate amount of Oil Contracts in any Pool</li> </ul>
“Oil Purchase Agreement”	means an agreement entered into by the Issuer with an Oil Major Company, pursuant to which any Oil Contracts may be purchased and sold and includes the Brent Oil Purchase Agreement between the Issuer and Shell Trading Switzerland dated 13 July 2005 as amended and restated by agreements between the Issuer and Shell Trading Switzerland dated 24 April 2006 and 20 July 2007.
“Oil Securities”	means both New Securities and Existing Securities
“Other Adjustment”	has the meaning set out in Part 4 ( <i>Description of the Oil Securities</i> ) under the heading “Pricing of Oil Securities — Daily Adjustment and Multiplier and includes Brent 1mth Oil Contracts, Brent 1yr Oil Contracts, Brent 2yr Oil Contracts, Brent 3yr Oil Contracts, WTI 2mth Oil Contracts, WTI 1yr Oil Contracts, WTI 2yr Oil Contracts and WTI 3yr Oil Contracts”
“outstanding”	means in relation to the Oil Securities of any class, all the Oil Securities of that class issued and in respect of which there is for the time being an entry in the Register other than: <ul style="list-style-type: none"> <li>(a) an Oil Security which has been redeemed and cancelled pursuant to the Trust Instrument, and</li> <li>(b) an Oil Security which has been purchased and cancelled pursuant to the Trust Instrument;</li> </ul> <p>PROVIDED THAT for the purpose of the right to attend and vote at any meeting of the Security Holders or any of them and certain other purposes of the Trust Instrument, Oil Securities (if any) which are for the time being held by, for the benefit of, or on behalf of, (A) the Issuer, (B) any Oil Major Company, (C) any</p>

holding company of the Issuer or an Oil Major Company, (D) any subsidiary of the Issuer or an Oil Major company, (E) any individual Controller of the Issuer or an Oil Major Company or (F) any person controlled by any such persons listed in (A) to (E) above, shall (unless and until ceasing to be so held) be deemed not to remain outstanding and accordingly the holders of such Oil Securities shall be deemed not to be Security Holders

“Overseas Person”	means a person whose activities are not subject to the prohibition in section 19 FSMA by virtue of its not carrying on such activities in the United Kingdom, whose head office is situated outside the United Kingdom and whose ordinary business involves carrying on activities of the kind specified by any of articles 14, 21, 25, 37, 40, 45, 51, 52 and 53 or, so far as relevant to any of those articles, article 64 of the RAO (or would do so apart from any exclusion from any of those articles made by the RAO)
“Pool”	means a separate fund or pool created by the Issuer in relation to the net proceeds of issue of any class of securities, of which the Brent 1mth Pool to which the Brent 1mth Oil Securities are attributable and the WTI 2mth Pool to which the WTI 2mth Oil Securities are attributable were the first two and includes the six separate Pools to which each class of New Security will be attributable
“Price”	means the price calculated as set out under the heading “Pricing of Oil Securities” in under the heading “Pricing of Oil Securities” in Part 4 ( <i>Description of the Oil Securities</i> ) under “Pricing of Oil Securities”
“Pricing Day”	means, for each class of Oil Security, a Trading Day for that class of Oil Security which is not a Market Disruption Day
“Pricing Parameter”	means in respect of a class of Oil Contract: <ul style="list-style-type: none"><li>(a) in respect of Brent 1mth or WTI 2mth, the relevant delivery months for the Near Contract and Next Contract for that class (up to the fourth available delivery month);</li><li>(b) in respect of Oil Contracts of any other class, the relevant delivery months for the Near Contract and Next Contract in respect of that class;</li><li>(c) the relevant Near Contract Price or Next Contract Price for that class;</li><li>(d) the timing and duration of the Roll Period for that class or, if applicable, Roll Year;</li><li>(e) where necessary or appropriate as a consequence of a change to any of the Pricing Parameters set out in subparagraph (a), (b) or (c) above, any terms, formulae or calculation methods to be applied for determining the Creation Amount, Redemption Amount, any Near Entitlement or Next Entitlement, or any Daily Adjustment or Multiplier; and</li><li>(f) the procedure or timetable for sending Pricing Notes</li></ul>
“Pricing Supplement”	means a pricing supplement in the form annexed hereto as Annex 3
“Pricing Window”	means an uninterrupted period of at least three minutes’ trading in a Relevant Month Contract on the ICE Futures Market published or announced by ICE Futures to participants on the ICE Futures Market:

	(a) as the official “designated settlement period” for the purposes of ICE Futures’ settlement price procedures for such Relevant Month Contract from time to time, or
	(b) in advance, as an extraordinary replacement for such official “designated settlement period” on any Trading Day
“Principal Amount”	in respect of each Oil Security means initially the sum of US\$5.00, but this may be varied as provided for in Condition 10 as set out in Part 7 ( <i>Particulars of the Oil Securities</i> )
“Programme”	means the programme for the issuance of Oil Securities described in this document
“Prospectus Directive”	means EU Directive 2003/71/EC
“Prospectus Rules”	means the Prospectus Rules of the UK Listing Authority from time to time made under section 73A of FSMA
“RAO”	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended)
“Redemption Date”	means: <ul style="list-style-type: none"> <li>(a) in relation to a redemption of Oil Securities, at the request of a Security Holder, the date which is for a valid application lodged after 8.00 a.m. and before 3.00 p.m. (London time) (or, if earlier, before the applicable Notice Deadline) on a Business Day, three Business Days after that date; provided that a Redemption Date shall only occur at the request of a Security Holder who is not an Authorised Participant, if, at the time of such request, there are no Authorised Participants,</li> <li>(b) in relation to a compulsory redemption of Oil Securities as required by the Issuer, the date on which the payment is required to be made by the Issuer in respect of such redemption, as specified in its notice of redemption to Security Holders, which shall be a date not less than 30 days (or seven days in the event of termination of any Oil Purchase Agreement) following the Issuer giving notice of its intention to require such redemption to each Security Holder, and</li> <li>(c) in relation to a redemption of Oil Securities as required by the Trustee following the occurrence of an Insolvency Event, the date falling 20 Business Days following the Trustee giving the Issuer notice requiring such redemption</li> </ul>
“Redemption Day”	means, in respect of an Oil Security, in relation to a Redemption Notice the Pricing Day on which such Redemption Notice was given or, in respect of a Redemption following the Termination Redemption Date, the Pricing Day on which such Redemption is affected
“Redemption Fee”	means the fee payable by a Security Holder on the redemption of Oil Securities as described under the heading “Authorised Participants — Creation and Redemption Fees” in Part 4 ( <i>Description of the Oil Securities</i> )
“Redemption Instructions”	means the instructions provided by a Security Holder redeeming an Oil Security to the Registrar in a form approved by the Issuer
“Redemption Notice”	means a notice by a Security Holder, the Trustee or the Issuer exercising its right to require the redemption of all or (in the case of a notice by a Security Holder) any of the Oil Securities held by such Security Holder pursuant to the Conditions, which in the case of such notice by a Security Holder shall contain

its Redemption Instructions (provided that a Security Holder who is not an Authorised Participant will only be permitted to submit a Redemption Notice if, on the relevant Pricing Day there are no Authorised Participants)

“Redemption Obligations”	means the obligation of the Issuer to redeem an Oil Security and make payment to the relevant Security Holder in accordance with the Conditions (provided that a Security Holder, who is not an Authorised Participant, will only be able to require redemption of the Oil Securities held by such Security Holder if, on the Redemption Day, there are no Authorised Participants)
“Redemption Price”	means, for each Oil Security, the relevant Price (or such other price as may be agreed on any occasion between the relevant Security Holder giving the Redemption Notice and the Issuer) and the Redemption Price for a number of Oil Securities of a particular class means the Redemption Price for a single Oil Security of that class multiplied by that number
“Register”	means the register of Security Holders kept and maintained by the Registrar
“Registered Address”	means, in relation to a Security Holder, the address recorded in the Register for that Security Holder or where there is more than one Security Holder registered in respect of that Oil Security, the address recorded in the Register for the first named Security Holder in respect of that Oil Security
“Registrar”	means Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St. Helier, Jersey, Channel Islands, JE4 8PW or such other person as may be appointed by the Issuer from time to time to maintain the Register and to receive and process applications for and redemptions of Oil Securities
“Registrar Agreement”	means the registrar agreement dated 13 July 2005 (as amended on 20 July 2007) between the Registrar and the Issuer
“Relevant Month Contract”	means, for each class of Oil Security, on any Trading Day, the Near Contract and, unless the Next Entitlement is zero on that Trading Day, the Next Contract for that class
“RIS”	means a Regulatory Information Service (as defined for the purposes of the Listing Rules) from time to time chosen by the Issuer
“Roll Day”	means a Pricing Day during a Roll Period
“Roll Period”	means, subject to the provisions of Condition 7 in Part 7 ( <i>Particulars of the Oil Securities</i> ) <ul style="list-style-type: none"><li>(a) for Brent 1mth Oil Securities and WTI 2mth Oil Securities, the first, second, third, fourth and fifth Pricing Days of each Month concluding on the earlier of the fifth Roll Day and the Last Remaining Trading Day, and</li><li>(b) for all other classes of Oil Securities the first and second available Pricing Days of the relevant month</li></ul>
“Secured Property”	means in respect of the Oil Securities of any class, all rights of the Issuer under the Oil Purchase Agreement, Oil Contracts, the Authorised Participant Agreements and the Letter of Credit, to the extent that they apply to payments due in respect of any Oil Contracts of that class and which is subject to the security created in favour of the Trustee pursuant to the Security Deed applicable to that class

“Security”	means, in respect of the Oil Securities of any class, the security constituted by the applicable Security Deed
“Security Deeds”	means in respect of any Pool, a security deed governed by English law between the Issuer and the Trustee assigning by way of security the contractual rights of the Issuer in relation to the Oil Purchase Agreement and creating a first-ranking floating charge over such other property of the Issuer as is attributable to such Pool, for the benefit of the Trustee and the holders of the securities attributable to such Pool
“Security Holder”	means the registered holder of an Oil Security
“sell” or “redeem”	in relation to an Oil Contract includes ‘terminate’ or ‘close out’ the position created by such Oil Contract
“Service Agreement”	means the Service Agreement dated 13 July 2005 (as amended on 20 July 2007) between ETFSL and the Issuer providing for certain services to be provided by ETFSL to the Issuer in relation to the Oil Securities
“Settlement Price”	means, in respect of a Pricing Day and a Brent Contract or WTI Contract, the official settlement price established and calculated by the Relevant Exchange in respect of that Pricing Day in respect of such Brent Contract or WTI Contract (as applicable)
“Shell Group”	means the group of companies comprising the Affiliates of Shell Trading Switzerland and Shell Treasury collectively
“Shell Trading Switzerland”	means Shell Trading Switzerland AG, a company incorporated and registered in Switzerland and which is a wholly-owned member of the Shell Group
“Shell Treasury”	means Shell Treasury Dollar Company Limited, a company incorporated and registered in England and which is a wholly-owned member of the Shell Group
“Standard & Poor’s”	means Standard & Poor’s, a Division of the McGraw-Hill Companies, Inc.
“subsidiary”	has the meaning given to that term in section 736 of the Companies Act 1985 (as amended)
“Substitute Credit”	means a valid and binding standby letter of credit issued by Shell Treasury or a Substitute Credit Provider on substantially the same terms as the initial Letter of Credit issued by Shell Treasury, <i>mutatis mutandis</i>
“Substitute Credit Provider”	<p>(a) in respect of Shell Trading Switzerland, means any Affiliate of Shell Trading Switzerland provided that:</p> <ul style="list-style-type: none"> <li>(i) such company has a credit rating (long term, foreign currency) with Standard &amp; Poor’s or with Moody’s which is at least equal or equivalent to the credit rating (long term, foreign currency) applied by Standard &amp; Poor’s or Moody’s (as the case may be) to an Ultimate Shell Parent Company as at the date of the substitution of a Letter of Credit with such Substitute Credit;</li> <li>(ii) the obligations of such company in respect of the Substitute Credit are guaranteed pursuant to an instrument in favour of the Issuer by a company meeting the requirements in (a) above or by Shell Treasury;</li> <li>(iii) such company (i) is solvent and will be able to meet in full the obligations of Shell Treasury under the relevant</li> </ul>

Letter of Credit as and when they may arise (each to be conclusively certified to the Issuer and the Trustee in writing by any two directors of such company) and (ii) will not, as a result of such substitution, cause a suspension or cessation of the listing of the Oil Securities on the Official List of the UK Listing Authority; or

(iv) such entity is the successor, surviving or transferee entity of Shell Treasury, as a result of a Designated Event

(b) in respect of any other Oil Major Company, has the meaning given thereto in the corresponding Letter(s) of Credit

“Tax”	means any VAT, tax, income tax, capital gains tax, corporation tax, goods and services tax, withholding tax, stamp, financial institutions, registration and other duties, bank accounts debits tax, import/export tax or tariff and any other taxes, levies, imposts, deductions, interest, penalties and charges imposed or levied by a government or government agency
“Termination Redemption Date”	means a date nominated in accordance with Condition 6.4 in Part 7 ( <i>Particulars of the Oil Securities</i> )
“Trading Day”	means a Day on which trading is permitted on the relevant Exchange
“Trustee”	means The Law Debenture Trust Corporation p.l.c. as trustee for the Security Holders and includes any subsequent trustee appointed in accordance with the Trust Instrument
“Trust Instrument”	means the Trust Instrument governed by English law to be dated 13 July 2005, the supplemental Trust Instrument dated 24 April 2006 and the second supplemental Trust Instrument dated 20 July 2007 between the Issuer and the Trustee constituting the Oil Securities
“UCITS Scheme”	means a scheme that falls within the definition of a “UCITS Scheme” contained in the FSA Glossary
“UK Listing Authority”	means the FSA acting in its capacity as the competent authority for the purposes of Part VI of the FMSA or any successor enactment
“Ultimate Shell Parent Company”	means Royal Dutch Shell plc
“Uncertificated” or “Uncertificated Form”	means recorded on the Register as being held in uncertificated form, title to which may, by virtue of the Companies (Uncertificated Securities) (Jersey) Order 1999, be transferred by means of CREST
“United Kingdom” or “UK”	means the United Kingdom of Great Britain and Northern Ireland
“United States” or “USA”	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US Dollars” or “US\$”	means United States dollars
“VAT”	means value added tax
“Weekly LIBOR”	means, in respect of each Trading Day in a Week, the following rate per annum determined for the last Trading Day of the prior Week (rounded upwards, if necessary, to the nearest 1/100th of 1 per cent.):

- (a) the rate appearing on the Reuters LIBOR page as the London Interbank Offered Rate for deposits of US Dollars as at 11.00 a.m. on such Trading Day for a value date two Business Days following such Trading Day, and for the period commencing on such value date and ending on a date one month (or such other period as may be agreed between the Issuer and Shell Trading Switzerland from time to time) after such value date,
- (b) in the event of the unavailability of the Reuters Page, the rate appearing on Telerate Page 3750 (or any successor page) as the London Interbank Offered Rate for deposits in US Dollars as at 11.00 a.m. on such Trading Day for a value date two Business Days following such Trading Day, and for the period commencing on such value date and ending on a date one month (or such other period as may be agreed between the Issuer and Shell Trading Switzerland from time to time) after such value date, or
- (c) in the event of the unavailability of both the Reuters Page and the Telerate Page, the one month (or such other period as may be agreed between the Issuer and Shell Trading Switzerland from time to time) “LIBOR BBA Interbank Fixing Rate” for US Dollars as published in the World Interest Rates section of the *Financial Times* newspaper on such Trading Day

“WTI 1yr Oil Securities”	means WTI 1yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“WTI 2mth Oil Securities”	means WTI class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“WTI 2yr Oil Securities”	means WTI 2yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“WTI 3yr Oil Securities”	means WTI 3yr class undated limited recourse secured oil securities of US\$5.00 each of the Issuer issued or to be issued pursuant to, and constituted by, the Trust Instrument
“WTI Contract”	means a futures contract for the purchase or sale of light “sweet” crude oil for future delivery in Cushing, Oklahoma which is subject to the rules of NYMEX
“WTI 2mth Pool”	means the Pool created by the Issuer on the first issue of WTI 2mth Oil Securities and to which all the WTI 2mth Oil Securities will be attributable
“WTI 1 yr Pool”	means the separate fund or pool created by the Company to which the WTI 1 yr Oil Securities are attributable
“WTI 2 yr Pool	means the separate fund or pool created by the Company to which the WTI 2 yr Oil Securities are attributable
“WTI 3 yr Pool”	means the separate fund or pool created by the Company to which the WTI 3 yr Oil Securities are attributable
“WTI-referenced Oil Securities”	means WTI 2mth Oil Securities, WTI 1yr Oil Securities, WTI 2yr Oil Securities and WTI 3yr Oil Securities

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors of the Issuer</b>	Graham Tuckwell, Chairman Leanne Baker Ben Cukier Vince FitzGerald Graeme Ross Craig Stewart  All the Directors are non-executive.
<b>Secretary of the Issuer</b>	R&H Fund Services (Jersey) Limited
<b>Registered Office of the Issuer and address of directors and secretary of the Issuer</b>	The address of all the directors and secretary of the Issuer is the registered office of the Issuer, which is: Ordnance House 31 Pier Road St. Helier Jersey JE4 8PW Channel Islands Tel: +44 1534 825 230 <a href="http://www.etfsecurities.com/oil">http://www.etfsecurities.com/oil</a>
<b>Trustee</b>	The Law Debenture Trust Corporation p.l.c. Fifth Floor 100 Wood Street London EC2V 7EX
<b>English Legal Advisers to the Issuer</b>	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
<b>Jersey Legal Advisers to the Issuer</b>	Mourant du Feu & Jeune 22 Grenville Street St. Helier Jersey JE4 8PX Channel Islands
<b>Dutch Legal Advisers to the Issuer</b>	Stibbe Strawinskylaan 2001 Postbus 75640 1070 AP Amsterdam The Netherlands
<b>Dutch Listing and Paying Agents</b>	Fortis Bank (Nederland) N.V. Rokin 55 1012 KK Amsterdam The Netherlands
<b>German Legal Advisers to the Issuer</b>	Dechert LLP Theresienstraße 6 80333 Munich Germany
<b>German Listing and Paying Agent</b>	HSBC Trinkaus & Burkhardt AG Königsallee 21/23 40212 Düsseldorf Germany
<b>French Legal Adviser to the Issuer</b>	Simmons & Simmons 5 boulevard de la Madeleine 75001 Paris France

<b>French Listing and Paying Agent</b>	HSBC France 103 Avenue des Champs-Élysées 75008 Paris France
<b>Italian Legal Adviser to the Issuer</b>	Studio Legale Cieri Crocenzi Via A. Bertoloni, 41 00197 Roma Italy
<b>English Legal Advisers to the Trustee</b>	Simmons & Simmons CityPoint 1 Ropemaker Street London EC2Y 9SS
<b>Jersey Legal Advisers to the Trustee</b>	Ogier Whiteley Chambers Don Street St. Helier Jersey JE4 9WG
<b>Auditors of the Issuer</b>	Ernst & Young LLP Unity Chambers 28 Halkett Street St. Helier Jersey JE1 1EY
	Ernst & Young LLP is authorised by the Jersey Financial Services Commission to be appointed as auditor of a Jersey incorporated company under Article 109 of the Companies (Jersey) Law 1991
<b>Registrar</b>	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St. Helier Jersey JE4 8PW Channel Islands

**FINANCIAL INFORMATION ON SHELL TREASURY**

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**DIRECTORS' REPORT**

**AND ACCOUNTS**

**2005**

Registered in England & Wales: 3469401

**SHELL TREASURY DOLLAR COMPANY LIMITED**

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## **SHELL TREASURY DOLLAR COMPANY LIMITED**

### **DIRECTORS' REPORT**

The Directors submit their annual report and audited accounts for the year ended 31 December 2005.

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the Company is the receiving of funds from, and the provision of long-term loan facilities to other companies of The Shell Group, mainly in the form of the making of loans or the purchase of their securities.

No significant change in the business of the Company has taken place during the year or is expected in the immediately foreseeable future.

The Company's retained profit for the financial year is US\$29.2 m (2004 restated: US\$5.0m loss). The Directors consider the year-end position of the company to be satisfactory.

The Company has adopted FRS 21 this year, and thus dividends proposed at the year end (but not yet approved by shareholders) will no longer be recognised as liabilities at the year end. The effect of the change in accounting policy to adopt FRS 21 was to recognise the final proposed dividend for the year ended 31 December 2004 of US\$74.5 m in the current year. A dividend totalling US\$74.5 m declared by the Company in 2005 but recognised under the previous accounting policy in 2004 has been derecognised from creditors for the year ended 31 December 2004. In addition, opening reserves for 2004 were revised for a 2003 proposed dividend of US\$80 m, which was not paid until 2004.

The Company has adopted the presentational requirements of FRS 25 this year, and will no longer recognise its redeemable equity shares as equity, as reported in prior years. The effect of the change in accounting policy to adopt FRS 25 was to recognise the US\$1 bn redeemable equity shares as debt rather than equity.

In addition, the Company has elected not to adopt the disclosure requirements of FRS 25 as disclosures are not required for certain subsidiaries where at least 90 per cent of the voting rights are held within the group, and parent companies in their single-entity financial statements. Shell Treasury Dollar Company Limited is a wholly owned subsidiary.

### **DIRECTORS**

The Directors of the Company, who served throughout the year and to the date of this report (except as noted) were:

K. Dawson	Appointed 16 January 2006	
K.A. Dean		Resigned 23 February 2005
P.J. Ellingsworth		Resigned 16 January 2006
J. Goodswen	Appointed 16 January 2006	
G. Janssens	Appointed 16 January 2006	
A.W. Longden		Resigned 16 January 2006
F.P. Marret		
J.E. Munsiff		Resigned 17 January 2006

### **DIRECTORS' INTERESTS**

On 20 July 2005, the ultimate parent company changed from N.V. Koninklijke Nederlandsche Petroleum Maatschappij ("Royal Dutch Petroleum Company") to Royal Dutch Shell plc ("Royal Dutch Shell") after all necessary conditions were fulfilled to approve the unification of Royal Dutch Petroleum

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**DIRECTORS' REPORT (Continued)**

Company and Shell Transport and Trading plc under a single parent company. Any shareholdings in Royal Dutch Petroleum Company at 20 July 2005 were exchangeable for Royal Dutch Shell Class A ordinary shares at the conversion applicable to the unification.

- i) The Directors' shareholding and debenture-holding interests (other than share options) in Royal Dutch Petroleum Company and Royal Dutch Shell and its subsidiary undertakings recorded in the Register of such interests were as follows:

	<b>Royal Dutch Petroleum Company ordinary shares of €0.56 each</b>		<b>Royal Dutch Shell ordinary shares of €0.07 each</b>		
	<b>1 January 2005</b>	<b>20 July 2005</b>		<b>31 December 2005</b>	
		<b>Class A</b>	<b>Class B</b>	<b>Class A</b>	<b>Class B</b>
P.J. Ellingsworth	121	21,706	—	21,706	—
A.W. Longden	—	—	15,501	—	15,847
F.P. Marret	394	900	—	1,024	—
J.E. Munsiff	—	—	7,616	—	7,616

- ii) The interests of the Directors of the Company in shares of Royal Dutch Petroleum Company and Royal Dutch Shell under share option schemes as recorded in the Register of such interests were as follows:

**Royal Dutch Petroleum Company ordinary shares**

	<b>€0.56 each</b>	<b>Options</b>	<b>Options</b>	<b>Options</b>	<b>€0.56 each</b>
	<b>Outstanding</b>	<b>Granted</b>	<b>Exercised</b>	<b>Lapsed/Cancelled</b>	<b>Outstanding</b>
	<b>1 January 2005</b>				<b>20 July 2005</b>
P.J. Ellingsworth	155,575	—	—	—	155,575
F.P. Marret	13,900	—	—	—	13,900

**Royal Dutch Shell ordinary shares**

	<b>€0.07 each</b>	<b>Options</b>	<b>Options</b>	<b>Options</b>	<b>€0.07 each</b>
	<b>Outstanding</b>	<b>Granted</b>	<b>Exercised</b>	<b>Lapsed</b>	<b>Outstanding</b>
	<b>20 July 2005</b>				<b>31 December 2005</b>
<b>Class A</b>					
P.J. Ellingsworth	199,950	—	—	—	199,950
F.P. Marret	27,800	—	—	—	27,800
<b>Class B</b>					
A.W. Longden	113,688	—	—	—	113,688
J.E. Munsiff	147,122	—	29,996	—	117,126

## SHELL TREASURY DOLLAR COMPANY LIMITED

### DIRECTORS' REPORT (Continued)

- iii) The interests of the Directors of the Company in shares of Royal Dutch Shell under performance share plans as recorded in the Register of such interests were as follows:

#### Royal Dutch Shell ordinary shares

	€0.07 each Performance	Performance Shares conditionally awarded	Dividends accrued on Performance Shares	€0.07 each Performance
	Shares held 20 July 2005			Shares held 31 December 2005
<b>Class A</b>				
P.J. Ellingsworth	—	15,750	138	15,888
F.P. Marret	—	1,700	15	1,715
<b>Class B</b>				
A.W. Longden	—	14,250	120	14,370
J.E. Munsiff	—	8,500	72	8,572

Under the performance share plan, performance shares are awarded conditionally once a year. The receipt of shares will be conditional on the satisfaction of performance criteria over the performance period and on the participant remaining in employment (subject to certain exemptions, including retirement). The number of shares received by Directors at the end of the performance period will depend on the Total Shareholder Return performance of the Group relative to its industry peers.

According to the Register of Directors' interests, no other Directors had any such interests in Royal Dutch Shell or in any other undertaking requiring disclosure under the Companies Act 1985.

#### CREDITOR PAYMENT POLICY

The Company is a treasury management business and as such has no trade creditors. Accordingly there are no creditor payment statistics to be disclosed.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## SHELL TREASURY DOLLAR COMPANY LIMITED

### DIRECTORS' REPORT (Continued)

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 Act 1985. 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.

### RISK MANAGEMENT POLICIES

The company's activities expose it to a number of financial risks. These include interest rate risk, currency risk and credit risk.

The Company's directors are required to follow the risk management policies of the Royal Dutch Shell Group, which includes specific guidelines on the management of interest rate and foreign exchange risk and advises on the use of financial instruments to manage them. Royal Dutch Shell plc risk management policies are outlined in the Financial Statements of Royal Dutch Shell PLC (note 27).

The Company enters into derivative financial instruments to hedge its exposure to foreign currency exchange movements and interest rate movements. Such transactions are carried out on commercial terms and conditions and at market rates.

Derivative instruments outstanding at 31<sup>st</sup> December 2005 and 2004 are included below:

Derivative Instrument	2005		2004	
	Contractual or Notional Amounts USD '000	Fair Value of Derivative USD '000	Contractual or Notional Amounts USD '000	Fair Value of Derivative USD '000
FX Swaps				
—Fair value assets	321,134	1,620	163,899	11,091
—Fair value liabilities	447,040	(2,748)	1,040,218	(4,477)
FX Forwards				
—Fair value liabilities	18,182	(49)	—	—
Currency Swaps				
—Fair value assets	25,068	12	25,068	(15)
Interest Rate Swaps				
—Fair value assets	51,010	469	333,082	82
—Fair value liabilities	72,000	(940)	405,082	(4,253)

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**DIRECTORS' REPORT (Continued)**

**AUDITORS**

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any member or the auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to members.

By order of the Board

G. Thomson  
Authorised signatory for  
Shell Corporate Secretary Limited  
Company Secretary  
14 July 2006

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHELL TREASURY DOLLAR COMPANY LIMITED**

We have audited the financial statements of Shell Treasury Dollar Company Limited for the year ended 31 December 2005, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
14 July 2006

**SHELL TREASURY DOLLAR COMPANY LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2005

		<b>2005</b>	<b>Restated</b>
<b>Continuing operations</b>	<b>Note</b>	<b>US\$'000</b>	<b>2004</b>
			<b>US\$'000</b>
Net profit/(loss) on foreign exchange		11,299	(4,887)
Other interest receivable and similar income	2	1,294,280	512,359
Interest payable and similar charges	3	(1,152,573)	(395,458)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES</b>			
<b>BEFORE TAXATION</b>	4	153,006	112,014
Tax on profit on ordinary activities	5	(49,316)	(37,058)
		<hr/>	<hr/>
<b>PROFIT FOR THE YEAR</b>		103,690	74,956
Dividends paid	12	(74,500)	(80,000)
		<hr/>	<hr/>
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>		<u>29,190</u>	<u>(5,044)</u>

The reported profit on ordinary activities and the amount retained for the year are presented on a historical cost basis.

There were no recognised gains and losses other than the profit for the current year and the loss for the prior year and accordingly a statement of total recognised gains and losses has not been presented.

**SHELL TREASURY DOLLAR COMPANY LIMITED****BALANCE SHEET**

As at 31 December 2005

	Note	2005 US\$'000	Restated 2004 US\$'000
<b>CURRENT ASSETS</b>			
Debtors — amounts falling due within one year	6	4,598,993	9,872,653
Debtors — amounts falling due after more than one year	6	30,648,034	16,694,743
Investments	7	2,221,883	2,398,789
Cash at bank and in hand		26	111
		<u>37,468,936</u>	<u>28,966,296</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(30,788,551)</u>	<u>(24,914,757)</u>
<b>NET CURRENT ASSETS</b>		<u>6,680,385</u>	<u>4,051,539</u>
<b>CREDITORS: amounts falling due after more than one year</b>	9	<u>(6,550,754)</u>	<u>(3,951,098)</u>
<b>NET ASSETS</b>		<u>129,631</u>	<u>100,441</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1	1
Profit and loss account	11	<u>129,630</u>	<u>100,440</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>129,631</u>	<u>100,441</u>

The Notes on pages 9 to 17 form part of these accounts.

The accounts were approved by the Board of Directors on 14 July, 2006 and were signed on its behalf by:

F.P. Marret  
Director

## SHELL TREASURY DOLLAR COMPANY LIMITED

### NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

#### 1. Accounting policies

##### a) Accounting convention and compliance with Accounting Standards

The accounts have been prepared on a going concern basis, and in accordance with the Companies Act 1985 and applicable Accounting Standards in the UK and the accounting policies as described below.

In the opinion of the Directors, disclosure of turnover is most appropriately represented for the Company by profit on ordinary activities, comprising interest receivable and similar income, interest payable and similar charges and net gain/loss on foreign exchange. This represents an adaptation of the profit and loss account format laid down in Schedule 4 to the Companies Act 1985 due to the special nature of the Company's business.

The Company has adopted FRS 21 "Events after the balance sheet date" and FRS 25 "Financial Instruments: Disclosure and presentation" in these accounts. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The Company has adopted FRS 21 this year, and thus dividends proposed at the year end (but not yet approved by shareholders) will no longer be recognised as liabilities at the year end. The effect of the change in accounting policy to adopt FRS 21 was to recognise the final proposed dividend for the year ended 31 December 2004 of US\$74,500,000 in the current year. A dividend totalling US\$74,500,000 declared by the Company in 2005 but recognised under the previous accounting policy in 2004 has been derecognised from creditors for the year ended 31 December 2004. In addition, opening reserves for 2004 were revised for a 2003 proposed dividend of US\$80,000,000, which was not paid until 2004.

The Company has adopted the presentational requirements of FRS 25 this year, and will no longer recognise its redeemable equity shares as equity, as reported in prior years. The effect of the change in accounting policy to adopt FRS 25 was to recognise the US\$1,000,000,000 redeemable equity shares as debt rather than equity.

In addition, the Company has elected to not to adopt the disclosure requirements of FRS 25 as disclosures are not required for certain subsidiaries where at least 90 per cent of the voting rights are held within the group, and parent companies in their single-entity financial statements. Shell Treasury Dollar Company Limited is a wholly owned subsidiary.

##### b) Group accounts

The immediate parent company is The Shell Petroleum Company Limited.

The ultimate parent company is Royal Dutch Shell, which is incorporated in the UK.

The accounts of the Company are incorporated in the accounts of the Royal Dutch Shell.

Copies of the annual reports of the Royal Dutch Shell are available from:

Royal Dutch Shell plc  
c/o Bankside  
Tel: +44 (0) 1635 232700  
Email: [bbs@shellbankside.co.uk](mailto:bbs@shellbankside.co.uk)

## **SHELL TREASURY DOLLAR COMPANY LIMITED**

### **NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2005**

**c) Tax**

The Company records a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to the HM Revenue and Customs, or for group relief to surrender or to be received from other Group undertakings, and for which payment may be requested.

In the event that payment should be made at a rate different from the tax rate prevailing in the current year, adjustments would be taken up to reflect the rate differential.

**d) Foreign currency translation**

Income and expense items denominated in other currencies are translated into US Dollars at the rate ruling on their transaction date.

Monetary assets and liabilities recorded in foreign currencies have been expressed in US Dollars at the rates of exchange ruling at the year end. Differences on translation are included in the profit and loss account.

**e) Forward foreign exchange and foreign exchange swap contracts**

The premium or discount on these contracts is amortised over the life of the contract. The unamortised balance is reported on the balance sheet. The premium or discount is calculated by multiplying the foreign currency amount of the contract by the difference between the spot rate and the agreed forward rate at the inception of the contract. In addition, a gain or loss on the foreign exchange swap contract, calculated as the difference between pricing the contract at the spot rate at the inception date and the balance sheet date, is recognised in the profit and loss account and a current asset or liability is recognised in the balance sheet.

**f) Interest rate and cross currency interest rate swaps**

Interest rate and cross currency interest rate swaps are acquired and held for hedging purposes. Income and expense arising from such transactions are accrued in the profit and loss account, consistent with the basis applied to the underlying transactions. Interest rates swaps are not revalued to fair value or shown in the balance sheet at the year-end. The foreign currency principal amounts of cross currency interest rate swaps are revalued at the prevailing FX rate on the balance sheet date with gains and losses being taken to the profit and loss account.

**g) Segmental analysis**

The Company's business is solely the receiving of funds from and the provision of long-term loan facilities to subsidiaries of Royal Dutch Shell, principally in the form of the making of loans or the purchase of their securities. The profits generated by this activity arise in the United Kingdom. Accordingly the Directors are of the opinion that the Company operates in only one class of business and one geographical segment.

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2005**

**h) Current asset investments**

Current asset investments are carried at the lower of cost and net realisable value.

**i) Group indebtedness**

Intra-group loans and borrowings have been presented on the balance sheet by reference to the earliest contractual date on which the lender can require repayment.

**j) Netting-off policy**

Balances with other companies of the Shell Group are stated gross, unless all of the following conditions are met:

- (i) The Company and the counterparty owe each other determinable monetary amounts, denominated either in the same currency, or in different but freely convertible currencies;
- (ii) The Company has the ability to insist on a net settlement; and
- (iii) The Company's ability to insist on a net settlement is assured beyond doubt. For this to be the case it is necessary that the debit balance matures no later than the credit balance. It is also necessary that the Company's ability to insist on a net settlement would survive the insolvency of the counterparty.

**k) Revenue recognition**

Interest receivable and payable is recognised on an accrual basis, that is as it is earned or incurred and dealt with in the profit and loss account of the period to which it relates.

**l) Cash flow statement**

In accordance with the exemption allowed by paragraph 5(a) of Financial Reporting Standard 1 (Revised), a cash flow statement for the Company has not been provided.

**m) Related party disclosures**

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with other member companies of the Shell Group or investees of the Group qualifying as related parties.

**n) Dividend policy**

Dividends are proposed on a discretionary basis and are therefore considered to represent an equity component of the redeemable shares. As a result, dividends have not been reclassified as a financing cost following the change in presentation of the shares from equity to debt.

**SHELL TREASURY DOLLAR COMPANY LIMITED****NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2005****2. Other interest receivable and similar income**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Receivable from Group companies	1,129,541	470,619
Receivable from Associated companies	5,998	1,297
Swap income from Group companies	16,572	33,313
Interest from banks and similar income	64,193	1,699
Other interest receivable	77,976	5,431
	<u>1,294,280</u>	<u>512,359</u>

**3. Interest payable and similar charges**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Payable to Group companies	1,126,953	360,298
Bank interest and charges	524	13
Swap expense to Group companies	23,996	35,147
Other interest and similar charges	1,100	—
	<u>1,152,573</u>	<u>395,458</u>

**4. Profit on ordinary activities before taxation**

The 2005 auditors' remuneration for audit services of US\$93,000 (2004: US\$66,000) and non audit services of US\$ Nil (2004: US\$ Nil) were borne by another group undertaking.

The Company had no employees during 2005 (2004: Nil). A recharge is made to the Company for services rendered by employees of another group undertaking.

None of the Directors received any emoluments in respect of their services to the Company (2004: Nil).

**SHELL TREASURY DOLLAR COMPANY LIMITED****NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2005****5. Tax on profit on ordinary activities**

The charge for the year of US\$49,315,501 (2004: US\$37,058,463) is made up as follows:

	<b>2005</b> <b>US\$'000</b>	<b>2004</b> <b>US\$'000</b>
UK corporation tax at the standard rate of 30% (2004: 30%)	45,120	33,604
Adjustments in respect of prior years	4,196	3,868
Foreign exchange differences	—	(414)
Tax imposed outside the UK	18,483	12,537
Double tax relief	(18,483)	(12,537)
	<hr/>	<hr/>
Total tax charge	49,316	37,058
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the year differs from the standard rate of UK corporation tax (30%). The differences are explained below:

	<b>2005</b> <b>US\$'000</b>	<b>2004</b> <b>US\$'000</b>
Profit on ordinary activities before tax	(153,006)	(112,014)
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	45,902	33,604
Effects of:		
Adjustments to the tax charge in respect of prior years	4,196	3,868
Foreign exchange movements on tax creditor	(782)	(414)
	<hr/>	<hr/>
Current tax charge for the year	49,316	37,058
	<hr/> <hr/>	<hr/> <hr/>

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2005**

**6. Debtors**

	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>Within</b>	<b>Over</b>	<b>Within</b>	<b>Over</b>
	<b>1 Year</b>	<b>1 Year</b>	<b>1 Year</b>	<b>1 Year</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Amounts owed by Group undertakings:				
Fellow subsidiary undertaking	4,360,414	30,524,285	9,775,592	16,588,901
Associated companies	—	123,749	—	105,842
Other debtors	5,385	—	30,021	—
Prepayments and accrued income	233,194	—	67,040	—
	<u>4,598,993</u>	<u>30,648,034</u>	<u>9,872,653</u>	<u>16,694,743</u>
	<u>35,247,027</u>		<u>26,567,396</u>	

**7. Current assets — Investments**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Bank deposits	1,088,000	1,347,000
Other short term deposits	1,133,883	1,051,789
	<u>2,221,883</u>	<u>2,398,789</u>

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2005**

**8. Creditors: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Amounts owed to Group undertakings:		
Parent undertaking	312,470	—
Fellow subsidiary undertakings	30,369,437	24,849,196
Associated companies	3,637	3,637
Tax payable	38,322	13,167
Other creditors	286	8,645
Accruals and deferred income	64,399	40,112
	<u>30,788,551</u>	<u>24,914,757</u>

There was no unprovided deferred taxation liability at 31 December 2005 (2004: Nil).

**9. Creditors: amounts falling due after more than one year**

	<b>2005</b>	<b>Restated</b>
	<b>US\$'000</b>	<b>2004</b>
		<b>US\$'000</b>
Amounts owed to Group undertakings:		
Parent undertaking	1,000,000	1,312,470
Fellow subsidiary undertakings	5,550,754	2,638,628
	<u>6,550,754</u>	<u>3,951,098</u>
Maturity analysis:		
Within one to two years	1,000,000	912,470
Within two to five years	—	1,000,000
After five years	5,550,754	2,038,628
	<u>6,550,754</u>	<u>3,951,098</u>

The effect of the change in accounting policy to adopt FRS 25 was to recognise \$1,000,000,000 redeemable equity shares as Creditors falling due after more than one year: Parent undertakings.

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2005**

**10. Called-up share capital**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Authorised 1,000 (2004: 1,000) ordinary shares of US\$1 each	1	1
	<u>1</u>	<u>1</u>
Alotted, called up and fully paid 1,000 (2004: 1,000) ordinary shares of US\$1 each	1	1
	<u>1</u>	<u>1</u>

The Company has 1,600,000,000 authorised and 1,000,000,000 issued redeemable equity shares of US\$1 each. The effect of the change in accounting policy to adopt FRS 25 was to recognise the US\$1,000,000,000 redeemable equity shares as Creditors falling due after more than one year: Parent undertakings.

The redeemable shares may be redeemed by the Company or the shareholders for cash at par, the earliest day being 6 months form the date of allotment, provided that 30 days' notice is given. However, the Company shall be under no obligation to redeem the shares if the US Dollar is less than 1.63 to a pound sterling. The shares rank pari passu with the equity share capital of the Company.

**11. Reconciliation of movements in reserves and shareholders' funds**

	<b>Restated</b>	<b>Profit and loss</b>	<b>Shareholders'</b>
	<b>Share capital</b>	<b>account</b>	<b>funds</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January 2004 as previously reported	1	25,484	25,485
Prior year adjustment	—	80,000	80,000
At 1 January 2004 restated	<u>1</u>	<u>105,484</u>	<u>105,485</u>
Profit for the year	—	74,956	74,956
Dividends paid	—	(80,000)	(80,000)
At 1 January 2005	<u>1</u>	<u>100,440</u>	<u>100,441</u>
Profit for the year	—	103,690	103,690
Dividends paid	—	(74,500)	(74,500)
At 31 December 2005	<u>1</u>	<u>129,630</u>	<u>129,631</u>

The effect of the change in accounting policy to adopt FRS 21 was to recognise the proposed dividend for the year ended 31 December 2004 of US\$74,500,000 in the current year. The proposed dividend for the year ended 31 December 2003 of US\$80,000,000 was reflected in the restated 2004 accounts.

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2005**

**12. Dividends**

The effect of the change in accounting policy to adopt FRS 21 was to recognise the proposed dividend for the year ended 31 December 2004 of US\$74,500,000 in the current year. The proposed dividend for the year ended 31 December 2003 of US\$80,000,000 was reflected in the restated 2004 accounts.

Dividends are proposed on a discretionary basis and are therefore considered to represent an equity component of the redeemable shares. As a result, dividends have not been reclassified as a financing cost following the change in presentation of the shares from equity to debt.

**13. Financial commitments**

The Company uses various derivative financial instruments to manage market risks and conduct trading activities. The credit, market and liquidity risks associated with these derivative financial instruments are managed in conjunction with the balance sheet activities. The Company is exempt from the disclosures required by FRS 13 as it does not meet the FRS 13 definition of a bank or similar institution, nor does it have capital instruments that are publicly listed or traded.

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**DIRECTORS' REPORT**

**AND ACCOUNTS**

**2006**

Registered in England & Wales: 3469401

**SHELL TREASURY DOLLAR COMPANY LIMITED**

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## **SHELL TREASURY DOLLAR COMPANY LIMITED**

### **DIRECTORS' REPORT**

The Directors submit their annual report and audited accounts for the year ended 31 December 2006.

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the Company is the receiving of funds from, and the provision of long-term loan facilities to other companies of The Shell Group, mainly in the form of the making of loans or the purchase of their securities.

The Company's retained profit for the financial year is US\$85,982,105 (2005: US\$103,689,838). The Company adopted FRS 21 "Events after the balance sheet date" in the prior year. The effect of the change in accounting policy to adopt FRS 21 was to recognise the interim proposed dividend for the year ended 31 December 2004 of US\$74,500,000 in 2005. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006. The Directors consider the year-end position of the company to be satisfactory.

On 22 December 2006 a special resolution was passed to amend the rights attaching to the 1,000,000,000 redeemable ordinary shares of US\$1 issued by the Company, and the 600,000,000 redeemable ordinary shares of US\$1 unissued at the timing of the passing of the resolution. Each redeemable share obtained the same rights as those attaching to the ordinary shares of US\$1 issued by the Company. Therefore these shares are no longer redeemable at either the option of the Company or the holder of the shares. As such, with effect of 22 December 2006 the 1,000,000,000 issued redeemable shares were reclassified as non-redeemable ordinary shares and included within the ordinary share capital of the Company.

#### **Future outlook**

No significant change in the business of the Company has taken place during the year or is expected in the immediately foreseeable future.

#### **Principal risks and uncertainties**

Royal Dutch Shell has a single risk based control framework — The Shell Control Framework — to identify and manage risks. The Shell Control Framework applies to all wholly-owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Group. Accordingly, the principal risks and uncertainties of the Royal Dutch Shell Group which are discussed on page 13 to 14 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended December 31, 2006 (the "Group Report") include those of the Company. (The Group Report does not form part of this report).

The specific financial risks facing the Company are discussed in more detail at Note 13 "Financial risk management".

#### **Key performance indicators**

The Group consists of the upstream businesses of Exploration and Production and Gas & Power and the downstream businesses of Oil Products and Chemicals. The Group also has interests in alternative energy sources including Renewables and Hydrogen.

The Group treasury operation is responsible for managing the overall cash position of Group and in meeting its short-term and long-term funding requirements. The Company is one of several entities which is involved in treasury operations and these operations are managed by Group treasury. These companies are managed under a central strategy, using common policies and related governance arrangements. For

## **SHELL TREASURY DOLLAR COMPANY LIMITED**

### **DIRECTORS' REPORT (Continued)**

this reason, there are no separate KPIs for the Company that are necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

### **DIRECTORS**

The Directors of the Company, who served throughout the year and to the date of this report (except as noted) were:

K. Dawson	Appointed 16 January 2006	
P.J. Ellingsworth		Resigned 16 January 2006
J. Goodswen	Appointed 16 January 2006	Resigned 27 June 2007
G. Janssens	Appointed 16 January 2006	
A.W. Longden		Resigned 16 January 2006
F.P. Marret		
J.E. Munsiff		Resigned 17 January 2006

### **DIRECTORS' INTERESTS**

Following changes to UK company law by the Companies Act 2006, which came in to effect on 6 April 2007, the requirement to maintain a register of Directors' interests and to disclose these interests in the Company's statutory report and accounts has been repealed. Consequently the Company no longer maintains a register of Directors' interests nor makes a disclosure in this regard.

### **POST BALANCE SHEET EVENTS**

Refer to Note 14 "Post Balance Sheet Events".

### **DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each of the Directors is aware, no relevant information has not been disclosed to the Company's auditors. Each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

### **AUDITORS**

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any member or the auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to members.

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**DIRECTORS' REPORT (Continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Companies Act 1985 requires the Directors to prepare accounts for each financial year 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 those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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

G. Thomson  
Authorised signatory for  
Shell Corporate Secretary Limited  
Company Secretary  
12 July 2007

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHELL TREASURY DOLLAR COMPANY LIMITED**

We have audited the accounts of Shell Treasury Dollar Company Limited for the year ended 31 December 2006, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These accounts have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

### **Opinion**

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the accounts.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
12 July 2007

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

**SHELL TREASURY DOLLAR COMPANY LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2006**

		<b>2006</b>	<b>2005</b>
<b>Continuing operations</b>	<b>Note</b>	<b>US\$'000</b>	<b>US\$'000</b>
Net (loss)/profit on foreign exchange		(9,420)	11,299
Other interest receivable and similar income	2	1,666,559	1,294,280
Interest payable and similar charges	3	(1,528,297)	(1,152,573)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES</b>			
<b>BEFORE TAX</b>	4	128,842	153,006
Tax on profit on ordinary activities	5	(42,860)	(49,316)
		<hr/>	<hr/>
<b>PROFIT FOR THE YEAR</b>		<u>85,982</u>	<u>103,690</u>

The reported profit on ordinary activities and the amount retained for the year are presented on a historical cost basis.

There were no recognised gains and losses other than the profit for the current year and the loss for the prior year and accordingly a statement of total recognised gains and losses has not been presented.

**SHELL TREASURY DOLLAR COMPANY LIMITED****BALANCE SHEET**

As at 31 December 2006

	Note	2006 US\$'000	2005 US\$'000
<b>CURRENT ASSETS</b>			
Debtors — amounts falling due within one year	6	3,874,427	4,598,993
Debtors — amounts falling due after more than one year	6	21,538,465	30,648,034
Investments	7	99,546	2,221,883
Cash at bank and in hand		21	26
		<u>25,512,459</u>	<u>37,468,936</u>
<b>CREDITORS: amounts falling due within one year</b>	8	(19,746,093)	(30,788,551)
		<u>5,766,366</u>	<u>6,680,385</u>
<b>NET CURRENT ASSETS</b>			
		<u>5,766,366</u>	<u>6,680,385</u>
<b>CREDITORS: amounts falling due after more than one year</b>	9	(4,550,753)	(6,550,754)
		<u>1,215,613</u>	<u>129,631</u>
<b>NET ASSETS</b>			
		<u>1,215,613</u>	<u>129,631</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,000,001	1
Profit and loss account	11	215,612	129,630
		<u>1,215,613</u>	<u>129,631</u>
<b>SHAREHOLDER'S FUNDS</b>			
		<u>1,215,613</u>	<u>129,631</u>

The Notes on pages 7 to 16 form part of these accounts.

The accounts were approved by the Board of Directors on 12 July 2007 and were signed on its behalf by:

F.P. Marret  
Director

## SHELL TREASURY DOLLAR COMPANY LIMITED

### NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

#### 1. Accounting policies

##### a) Accounting convention and compliance with Accounting Standards

The accounts have been prepared on a going concern basis, and in accordance with the Companies Act 1985 and applicable Accounting Standards in the UK and the accounting policies as described below.

In the opinion of the Directors, disclosure of turnover is most appropriately represented for the Company by profit on ordinary activities, comprising interest receivable and similar income, interest payable and similar charges and net gain/loss on foreign exchange. This represents an adaptation of the profit and loss account format laid down in Schedule 4 to the Companies Act 1985 due to the special nature of the Company's business.

In 2005 the Company adopted FRS 21 "Events after the balance sheet date". The effect of the change in accounting policy to adopt FRS 21 was to recognise the interim proposed dividend for the year ended 31 December 2004 of US\$74,500,000 in 2005. A dividend totalling US\$74,500,000 declared by the Company in 2005 but recognised under the previous accounting policy in 2004 was derecognised from creditors for the year ended 31 December 2004. This accounting policy does not impact the results of the Company in the current year as no dividend was proposed in either 2005 or 2006.

In 2005 the Company adopted the presentational requirements of FRS 25 "Financial instruments disclosure", reclassifying \$1,000,000,000 redeemable ordinary shares as "Creditors falling due after more than one year". On 22 December 2006 the rights attaching to the redeemable shares were amended so that they ceased to be redeemable at either the option of the Company or the holder of the shares. With effect of 22 December 2006 the redeemable shares were reclassified as non-redeemable ordinary share capital and reclassified within equity.

The Company has elected not to apply the disclosure requirements of FRS 25 as disclosures are not required for certain subsidiaries where at least 90 per cent of the voting rights are held within the group, and parent companies in their single-entity financial statements. Shell Treasury Dollar Company Limited is a wholly owned subsidiary.

##### b) Group accounts

The immediate parent company is The Shell Petroleum Company Limited.

The ultimate parent company is Royal Dutch Shell, which is incorporated in the UK.

The accounts of the Company are incorporated in the accounts of the Royal Dutch Shell.

Copies of the annual reports of the Royal Dutch Shell are available from:

Royal Dutch Shell plc  
c/o Bankside  
Tel: +44 (0) 1635 232700  
Email: [bbs@shellbankside.co.uk](mailto:bbs@shellbankside.co.uk)

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**c) Tax**

The Company records a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to the HM Revenue and Customs, or for group relief to surrender or to be received from other Group undertakings, and for which payment may be requested.

In the event that payment should be made at a rate different from the tax rate prevailing in the current year, adjustments would be taken up to reflect the rate differential.

**d) Foreign currency translation**

Income and expense items denominated in other currencies are translated into US Dollars at the rate ruling on their transaction date.

Monetary assets and liabilities recorded in foreign currencies have been expressed in US Dollars at the rates of exchange ruling at the year end. Differences on translation are included in the profit and loss account.

**e) Forward foreign exchange and foreign exchange swap contracts**

The premium or discount on these contracts is amortised over the life of the contract. The unamortised balance is reported on the balance sheet. The premium or discount is calculated by multiplying the foreign currency amount of the contract by the difference between the spot rate and the agreed forward rate at the inception of the contract. In addition, a gain or loss on the foreign exchange swap contract, calculated as the difference between pricing the contract at the spot rate at the inception date and the balance sheet date, is recognised in the profit and loss account and a current asset or liability is recognised in the balance sheet.

**f) Interest rate and cross currency interest rate swaps**

Interest rate and cross currency interest rate swaps are acquired and held for hedging purposes. Income and expense arising from such transactions are accrued in the profit and loss account, consistent with the basis applied to the underlying transactions. Interest rate swaps are not revalued to fair value or shown in the balance sheet at the year-end. The foreign currency principal amounts of cross currency interest rate swaps are revalued at the prevailing FX rate on the balance sheet date with gains and losses being taken to the profit and loss account.

**g) Segmental analysis**

The Company's business is solely the receiving of funds from and the provision of long-term loan facilities to subsidiaries of the Royal Dutch Shell, principally in the form of the making of loans or the purchase of their securities. The profits generated by this activity arise in the United Kingdom. Accordingly the Directors are of the opinion that the Company operates in only one class of business and one geographical segment.

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**h) Current asset investments**

Current asset investments are carried at the lower of cost and net realisable value.

**i) Group indebtedness**

Intra-group loans and borrowings have been presented on the balance sheet by reference to the earliest contractual date on which the lender can require repayment.

**j) Netting-off policy**

Balances with other companies in the Shell Group are stated gross if, and only if, the Company:

- (i) Currently has a legally enforceable right to set off the recognised amounts; and
- (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**k) Revenue recognition**

Interest receivable and payable is recognised on an accrual basis, that is as it is earned or incurred and dealt with in the profit and loss account of the period to which it relates.

**l) Cash flow statement**

In accordance with the exemption allowed by paragraph 5(a) of Financial Reporting Standard 1 (Revised), a cash flow statement for the Company has not been provided.

**m) Related party disclosures**

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with other member companies of the Shell Group or investees of the Group qualifying as related parties.

**n) Dividend policy**

Dividends are proposed on a discretionary basis and are therefore considered to represent an equity component of the redeemable shares. As a result, dividends have not been reclassified as a financing cost following the change in presentation of the shares from equity to debt.

**SHELL TREASURY DOLLAR COMPANY LIMITED****NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2006****2. Other interest receivable and similar income**

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Receivable from Group companies	1,531,072	1,129,541
Receivable from Associated companies	10,650	5,998
Swap income to Group companies	8,049	16,572
Interest from banks and similar income	49,393	64,193
Other interest receivable	67,395	77,976
	<u>1,666,559</u>	<u>1,294,280</u>

**3. Interest payable and similar charges**

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Payable to Group companies	1,519,779	1,126,953
Bank interest and charges	647	524
Swap expense to Group companies	7,871	23,996
Other interest and similar charges	—	1,100
	<u>1,528,297</u>	<u>1,152,573</u>

**4. Profit on ordinary activities before taxation**

The 2006 auditors' remuneration for audit services of US\$70,000 (2005: US\$93,000) and non audit services of US\$ Nil (2005: US\$ Nil) were borne by another group undertaking.

The Company had no employees during 2006 (2005: Nil). A recharge is made to the Company for services rendered by employees of another group undertaking.

None of the Directors received any emoluments in respect of their services to the Company (2005: Nil).

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**5. Tax on profit on ordinary activities**

The charge for the year of US\$42,860,180 (2005: US\$49,315,501) is made up as follows:

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
UK corporation tax at the standard rate of 30% (2005: 30%)	40,620	45,120
Adjustments in respect of prior years	2,240	4,196
Foreign exchange differences	—	—
Tax imposed outside the UK	19,209	18,483
Double tax relief	(19,209)	(18,483)
	<hr/>	<hr/>
Total tax charge	42,860	49,316
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the year differs from the standard rate of UK corporation tax (30%). The differences are explained below:

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Profit on ordinary activities before tax	(128,842)	(153,006)
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	38,653	45,902
Effects of:		
Adjustments to the tax charge in respect of prior years	2,240	4,196
Foreign exchange movements on tax creditor	1,967	(782)
	<hr/>	<hr/>
Current tax charge for the year	42,860	49,316
	<hr/> <hr/>	<hr/> <hr/>

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**6. Debtors**

	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>Within</b>	<b>Over</b>	<b>Within</b>	<b>Over</b>
	<b>1 Year</b>	<b>1 Year</b>	<b>1 Year</b>	<b>1 Year</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Amounts owed by Group undertakings:				
Fellow subsidiary undertaking	3,582,484	21,389,232	4,360,414	30,524,285
Amounts owed by participating undertakings	5,250	149,233	—	123,749
Other debtors	1,575		5,385	—
Prepayments and accrued income	285,118		233,194	—
	<u>3,874,427</u>	<u>21,538,465</u>	<u>4,598,993</u>	<u>30,648,034</u>
	<u>25,412,892</u>		<u>35,247,027</u>	

**7. Current assets — Investments**

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Bank deposits	—	1,088,000
Other short term deposits	99,546	1,133,883
	<u>99,546</u>	<u>2,221,883</u>

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**8. Creditors: amounts falling due within one year**

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Amounts owed to Group undertakings:		
Parent undertaking	—	312,470
Fellow subsidiary undertakings	19,594,495	30,369,437
Participating undertakings	3,637	3,637
Tax and social security	51,495	38,322
Other creditors	10,761	286
Accruals and deferred income	85,705	64,399
	<u>19,746,093</u>	<u>30,788,551</u>

**9. Creditors: amounts falling due after more than one year**

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Amounts owed to Group undertakings:		
Parent undertaking	—	1,000,000
Fellow subsidiary undertakings	4,550,753	5,550,754
	<u>4,550,753</u>	<u>6,550,754</u>
Maturity analysis:		
Within one to two years	—	1,000,000
Within two to five years	—	—
After five years	4,550,753	5,550,754
	<u>4,550,753</u>	<u>6,550,754</u>

As at 22 December 2006, the Company had 1,600,000,000 authorised and 1,000,000,000 issued redeemable equity shares of US\$1 each. In 2005 in accordance with FRS 25 the issued redeemable shares were classified within Creditors falling due after more than one year.

On 22 December 2006 a special resolution was passed to amend the rights attaching to the 1,000,000,000 redeemable ordinary shares of US\$1 issued by the Company. Each redeemable share obtained the same rights as those attaching to the ordinary shares of US\$1 issued by the Company. Therefore these shares are no longer redeemable at either the option of the Company or the holder of the shares. The redeemable shares have been reclassified as ordinary shares and included within the ordinary share capital of the Company.

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**10. Called-up share capital**

	<b>2006</b>	<b>2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Authorised		
1,600,001,000 (2005: 1,000) ordinary shares of US\$1 each	1,600,001	1
	<hr/>	<hr/>
	1,600,001	1
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called up and fully paid		
1,000,001,000 (2005: 1,000) ordinary shares of US\$1 each	1,000,001	1
	<hr/>	<hr/>
	1,000,001	1
	<hr/> <hr/>	<hr/> <hr/>

**11. Reconciliation of movements in reserves and shareholder's funds**

	<b>Share capital</b>	<b>Profit and loss</b>	<b>Shareholder's</b>
	<b>US\$'000</b>	<b>account</b>	<b>funds</b>
		<b>US\$'000</b>	<b>US\$'000</b>
At 1 January 2005	1	100,440	100,441
Profit for the year	—	103,690	103,690
Dividends paid	—	(74,500)	(74,500)
	<hr/>	<hr/>	<hr/>
At 1 January 2006	1	129,630	129,631
Redeemable share capital amended to ordinary share capital	1,000,000	—	1,000,000
Profit for the year	—	85,982	85,982
	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,000,001	215,612	1,215,613
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**12. Dividends**

The effect of the change in accounting policy to adopt FRS 21 was to recognise the interim proposed dividend for the year ended 31 December 2004 of US\$74,500,000 in 2005. Dividends are proposed on a discretionary basis and are therefore considered to represent an equity component of the redeemable shares. As a result, dividends have not been reclassified as a financing cost following the change in presentation in 2005 of the shares from equity to debt.

## **SHELL TREASURY DOLLAR COMPANY LIMITED**

### **NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

#### **13. Financial risk management**

The Company uses various derivative financial instruments to manage market risks and conduct trading activities. The credit, market and liquidity risks associated with these derivative financial instruments are managed in conjunction with the balance sheet activities. The Company is exempt from the disclosures required by FRS13 as it does not meet the FRS13 definition of a bank or similar institution, nor does it have capital instruments that are publicly listed or traded.

The company's activities expose it to a number of financial risks. These include interest rate risk, foreign exchange risk and credit risk.

##### **Interest rate risk**

As at 31 December 2006 the Company had entered into lending relationships with other group companies with a total value of US\$25.0 billion. All of these loans are interest bearing and therefore the Company has a significant exposure to adverse interest rate movements. The majority of the Company's lending is in USD at floating rate and the exposure to interest rate fluctuations is offset by equal amounts of floating rate USD borrowing. As at 31 December 2006 the Company had entered into two fixed rate lending arrangements with other group companies. In both instances the Company has entered into interest rate swap derivative transactions to hedge interest rate exposure. Such derivative transactions are carried out on commercial terms and conditions and at market rates.

##### **Foreign exchange risk**

The majority of the Company's borrowing and lending is denominated in US Dollar and therefore is not exposed to foreign exchange risk. A small proportion of the Company's loan book is denominated in foreign currency, thus giving rise to the risk of loss on revaluation of the loans due to adverse movements in foreign currency exchange rates. The Company enters into derivative financial instruments in order to manage these specific foreign currency exposures. Such transactions are carried out on commercial terms and conditions and at market rates.

##### **Credit risk**

The Company is exposed to the risk that a counterparty will default on its contractual obligations to repay its debt. The level of the risk is mitigated to the extent that the Company's lending is primarily to 100% Shell companies. Each new loan is subject to a counterparty credit appraisal and support via an approved financing proposed. Surplus funds are either invested in the money market or in short term securities with a minimum credit rating of AA-.

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which include specific guidelines on the management of foreign exchange and interest rates and advise on the use of financial instruments to manage them. Shell Group risk management policies can be found in the financial statements of Royal Dutch Shell (see Note 1b).

**SHELL TREASURY DOLLAR COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**13. Financial risk management (Continued)**

Derivative instruments outstanding at 31<sup>st</sup> December 2006 and 2005 are included below:

Derivative Instrument	2006		2005	
	Contractual or Notional Amounts USD '000	Fair Value of Derivative USD '000	Contractual or Notional Amounts USD '000	Fair Value of Derivative USD '000
FX Swaps				
—Fair value assets	20,295	179	321,134	1,620
—Fair value liabilities	485,310	(3,745)	447,040	(2,748)
FX Forwards				
—Fair value liabilities	22,040	(25)	18,182	(49)
Currency Swaps				
—Fair value assets	—	—	25,068	12
—Fair value liabilities	419,497	(1,873)	—	—
Interest Rate Swaps				
—Fair value assets	72,000	379	51,010	469
—Fair value liabilities	7,700	(720)	72,000	(940)

**14. Post balance sheet events**

There are no post balance sheet events to report for the year ended 31 December 2006.



**Shell Trading Switzerland AG  
Baar**

**Report of the Statutory Auditors  
to the General Meeting  
on the Financial Statements 2005**

6 June 2006/00446056001/10/htm

PricewaterhouseCoopers is represented in about 140 countries worldwide and in Switzerland in Aarau, Basle, Berne, Chur, Geneva, Lausanne, Lucerne, Lugano, Neuchâtel, Sion, St. Gall, Thun, Winterthur, Zug and Zürich and offers Assurance, Tax & Legal and Advisory Services.

Report of the statutory auditors  
to the general meeting of  
Shell Trading Switzerland AG  
Baar

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Shell Trading Switzerland AG for the period from 11 April 2005 to 31 December 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Stefan Räbsamen

Michael Hutter

Zürich, 6 June 2006

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

**SHELL TRADING SWITZERLAND AG, Baar**  
**BALANCE SHEET**  
**At 31 December 2005**

**ASSETS**

	<b>CHF</b>
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	3'858
Accounts Receivable	
– from Group Companies	151'244'835
– from Third Parties	4'349
<b>TOTAL CURRENT ASSETS</b>	<u>151'253'042</u>
<b>TOTAL ASSETS</b>	<u><u>151'253'042</u></u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**LIABILITIES**

<b>CURRENT LIABILITIES</b>	
Accounts Payable	
– to Group Companies	71'983'502
– to Third Parties	78'271'527
Accrued Expenses	31'500
Provision for Unrealised Foreign Exchange Gains	75'454
Tax Provision	137'000
<b>TOTAL CURRENT LIABILITIES</b>	<u>150'498'983</u>
<b>TOTAL LIABILITIES</b>	<u><u>150'498'983</u></u>

**SHAREHOLDERS' EQUITY**

Share Capital	100'000
Retained Earnings	654'059
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>754'059</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u>151'253'042</u></u>

**SHELL TRADING SWITZERLAND AG, Baar**  
**INCOME STATEMENT**  
**At 31 December 2005**

**11.4.-31.12.2005**  
**CHF**

**INCOME**

Interest Income 2'378'112

Total Income 2'378'112

**EXPENSES**

Administrative Fees (1'140'556)

Trading Expenses (388'001)

Interest Expenses (48'396)

Bank Charges (10'100)

Tax Expenses (137'000)

Total Expenses (1'724'053)

Net Profit/ (Loss) for the Period 654'059

**SHELL TRADING SWITZERLAND AG, Baar**  
**NOTES TO THE FINANCIAL STATEMENTS**

**2005**  
**CHF**

**1. Notes in accordance with Article 663b of the Swiss Code of Obligations**

**1.1 Administrative expenses**

Administrative expenses reflect the operational costs of the Company. The component relating to personnel costs is CHF120'807.

**1.2 Amounts due to pension funds**

none.

**1.3 Translation of foreign currencies**

*Balance Sheet*

Assets and liabilities which arise in currencies other than Swiss francs are translated at the exchange rates prevailing at year-end. The total of realised and unrealised exchange rate losses is recorded as expense; unrealised exchange rate gains are deferred until realisation.

*Income Statement*

Income and expenses which arise in currencies other than Swiss francs are recorded at average exchange rates.

**2. Movements on retained earnings**

Retained earnings at the beginning of the period	—
Net profit/(loss) for the period	654'059
Retained earnings at period-end	<u>654'059</u>

**SHELL TRADING SWITZERLAND AG, Baar**

**Proposal of the Board of Directors for appropriation of retained earnings**

	<b>2005 CHF</b>
Retained earnings	654'059
Appropriation to legal reserves (5% of the net profit of the year)	(32'703)
Retained earnings to be carried forward	<u>621'356</u>

**Shell Trading Switzerland AG  
Baar**

**Report of the Statutory Auditors  
to the General Meeting  
on the Financial Statements 2006**

18 June 2007/00446056001/10/htm

With offices in Aarau, Basel, Berne, Chur, Geneva, Lausanne, Lugano, Lucerne, Neuchâtel, Sitten, St. Gallen, Thun, Winterthur, Zug and Zürich, PricewaterhouseCoopers AG is a provider of auditing services and tax, legal and business consultancy services. PricewaterhouseCoopers AG is a partner in a global network of companies that are legally independent of one another and is located in some 140 countries throughout the world.

Report of the statutory auditors  
to the general meeting of  
Shell Trading Switzerland AG  
Baar

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Shell Trading Switzerland AG for the year ended 31 December 2006.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Stefan Räbsamen  
Auditor in charge

Michael Hutter

Zürich, 18 June 2007

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

**SHELL TRADING SWITZERLAND AG, Baar**  
**BALANCE SHEET**  
**At 31 December**

	<b>2006</b>	<b>2005</b>
	<b>CHF</b>	<b>CHF</b>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and Cash Equivalents	3'244	3'858
Accounts Receivable		
– from Group Companies	271'909'424	151'244'835
– from Third Parties	—	4'349
<b>TOTAL CURRENT ASSETS</b>	<u>271'912'668</u>	<u>151'253'042</u>
<b>TOTAL ASSETS</b>	<u>271'912'668</u>	<u>151'253'042</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
	<b>CHF</b>	<b>CHF</b>
CURRENT LIABILITIES		
Accounts Payable		
– to Group Companies	33'519'501	71'983'502
– to Third Parties	236'063'824	78'271'527
Accrued Expenses	25'000	31'500
Provision for Unrealised Foreign Exchange Gains	—	75'454
Tax Provision	192'000	137'000
<b>TOTAL CURRENT LIABILITIES</b>	<u>269'800'325</u>	<u>150'498'983</u>
<b>TOTAL LIABILITIES</b>	<u>269'800'325</u>	<u>150'498'983</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital	100'000	100'000
Legal reserves	32'703	—
<u>Available Earnings</u>		
Available Earnings at the beginning of the year/period	621'356	—
Net Income for the year/period	1'358'284	654'059
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>2'112'343</u>	<u>754'059</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>271'912'668</u>	<u>151'253'042</u>

**SHELL TRADING SWITZERLAND AG, Baar**  
**INCOME STATEMENT**  
**At 31 December**

	<b>2006</b>	<b>11.4.-31.12.2005</b>
	<b>CHF</b>	<b>CHF</b>
<b>INCOME</b>		
Interest Income	8'041'479	2'378'112
Total Income	<u>8'041'479</u>	<u>2'378'112</u>
<b>EXPENSES</b>		
Administrative Fees	(272'241)	(1'140'556)
Trading Expenses	(949'262)	(388'001)
Interest Expenses	(5'293'158)	(48'396)
Bank Charges	7'073	(10'100)
Tax Expenses	(126'701)	(137'000)
FX Loss	(48'906)	
Total Expenses	<u>(6'683'195)</u>	<u>(1'724'053)</u>
Net Profit for the year/period	<u>1'358'284</u>	<u>654'059</u>

**SHELL TRADING SWITZERLAND AG, Baar**  
**NOTES TO THE FINANCIAL STATEMENTS**

2006                      2005  
**CHF**

**1. Notes in accordance with Article 663b of the Swiss Code of Obligations**

**1.1 Administrative expenses**

Administrative expenses reflect the operational costs of the Company. The component relating to personnel costs is CHF 24'547 (2005: CHF 120'807).

**1.2 Amounts due to pension funds**

none.

**1.3 Translation of foreign currencies**

*Balance Sheet*

Assets and liabilities which arise in currencies other than Swiss francs are translated at the exchange rates prevailing at year-end. The total of realised and unrealised exchange rate losses is recorded as expense; unrealised exchange rate gains are deferred until realisation.

*Income Statement*

Income and expenses which arise in currencies other than Swiss francs are recorded at average exchange rates.

**2. Movements on retained earnings**

Retained earnings at the beginning of the year/period	654'059	—
Resolution of the annual general meeting: – appropriation of legal reserves	(32'703)	—
Net profit/(loss) for the year/period	1'358'284	654'059
Retained earnings at the end of the year/period	1'979'640	654'059

**SHELL TRADING SWITZERLAND AG, Baar**

**Proposal of the Board of Directors for appropriation of retained earnings**

	<b>2006</b>	<b>2005</b>
	<b>CHF</b>	<b>CHF</b>
Retained earnings	1'979'640	654'059
Appropriation to legal reserves (5% of the net profit of the year/period)	(67'914)	(32'703)
Retained earnings to be carried forward	<u>1'911'726</u>	<u>621'356</u>

## **SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN SWISS STATUTORY ACCOUNTING RULES AND INTERNATIONAL REPORTING FINANCIAL STANDARDS (IFRS)**

The financial statements of Shell Trading Switzerland AG have been prepared and presented in accordance with Swiss statutory law as prescribed by the Swiss Code of Obligations (the “Swiss Statutory Accounting Rules”), which differ in certain significant respects from the accounting principles under the International Financial Reporting Standards (“IFRS”). Such significant differences between the Swiss Statutory Accounting Rules and IFRS relevant to the financial statements of Shell Trading Switzerland are therefore summarised below. This summary should not however be construed as exhaustive, and investors must rely on their own examination of Shell Trading Switzerland and its financial information. Investors should be particularly aware that the Swiss Statutory Accounting Rules do not contain an equivalent requirement to the IFRS obligation for financial statements to provide a true and fair view of the relevant company’s financial situation. Consequently, the financial statements should not be read in isolation without awareness of the particular requirements of the Swiss Statutory Accounting Rules.

Other differences between the Swiss Statutory Accounting Rules and IFRS may arise in future as the result of prescribed changes in standards and regulations. It should also be noted that regulatory bodies that circulate the Swiss Statutory Accounting Rules and IFRS have significant ongoing projects that could affect future comparisons between the Swiss Statutory Accounting Rules and IFRS.

The differences between the Statutory Accounting Rules and IFRS, as set out below, relate to the IFRS and International Accounting Standards (“IAS”) principles which were effective for 2005.

### **Primary Financial Statements and Notes**

Swiss Statutory Accounting Rules define and require balance sheet, income statement and notes as the components of financial statements. The notes are defined as an exclusive list of limited disclosure requirements and, as such, are not comparable to IFRS. The required items are:

- the total sum of guarantees, other indemnities and assets pledged in favour of third parties;
- the total sum of pledged or assigned assets to secure own liabilities or assets under reservation of title;
- the total amount of all leasing obligations not recorded in the balance sheet;
- the total amount of all fire insurance values of tangible assets;
- amounts due to pension funds;
- disclosures of amount, interest rate and maturity date over outstanding Notes issued by the company;
- the total amount resulting from the release of replacement and hidden reserves, to the extent it exceeds any newly established replacement and hidden provisions, if resulting in a more favourable result;
- details of the items and the amounts of revaluations;
- disclosure over acquisition, disposal and number of company’s own shares held by the company, including its shares held by another company in which it holds a majority, as well as the terms under which the company acquired or disposed its own shares;
- amount of an authorised or conditional capital increase;
- disclosure of any deviation of the following accounting principles under Swiss Statutory Accounting Rules: going concern, consistency in presentation and consistency in valuation presentation; and inadmissibility of offsetting assets and liabilities and expenses and income;
- disclosure of significant shareholders for companies whose shares are listed at a Swiss Stock Exchange; and
- disclosure of consolidation and valuation rules for consolidated financial statements.

Swiss Statutory Accounting Rules do not require any further disclosures in the notes. However, additional disclosures such as events after the balance sheet date are made in accordance with

general accounting practices, if and only if events and circumstances exist that make such a disclosure necessary.

Under IFRS a complete set of financial statements in addition to balance sheet, income statement and notes includes a statement showing either all changes in equity, or, changes other than those arising from capital transactions with owners and distributions to owners and a cash flow statement. Moreover, IFRS requires the disclosure of accounting policies and explanatory notes, whereas these notes are more extensive than under Swiss Statutory Accounting Rules and provide detailed information on certain significant line items of components of the financial statements. IFRS further requires different classifications within the financial statements from Shell Trading Switzerland's current presentation. In addition to the items described in more detail further below, the following material matters have not been disclosed by Shell Trading Switzerland but would be required to be disclosed under IFRS:

- additional disclosures on Income Taxes;
- additional information on Provisions, Contingent Liabilities and Contingent Assets;
- additional disclosures on Employee Benefits and disclosures on equity compensation benefits;
- related Party Disclosures; and
- disclosures on Risk Management Policies, Interest Rate Risk and Credit Risk;

### **Hidden Reserves**

Swiss Statutory Accounting Rules explicitly allow the recognition of hidden reserves. Such hidden reserves are defined as the difference between the accounting value in accordance with Swiss Statutory Accounting Rules and the actual carrying amount in the balance sheet. Hence, under Swiss Statutory Accounting Rules it is permissible to record assets at a lower, and, respectively, liabilities at a higher, amount than defined under Swiss Statutory Accounting Rules, as long as such hidden reserves aim at ascertaining the continual prosperity of Shell Trading Switzerland or at an equitable yearly dividend distribution, and provided that adequate consideration has been given to shareholders' interest. There are no corresponding provisions under IFRS.

### **Foreign Currency Transactions and Translation**

Swiss statutory accounts have to be prepared in Swiss Francs. Assets and liabilities which arise in currencies other than Swiss Francs are translated at the exchange rates prevailing at year-end. The total of realised and unrealised exchange rate losses is recorded as expense; unrealised exchange rate gains are not credited to the income statement, but deferred until realisation. Long-term assets in currencies other than Swiss Francs are kept at the lower of historical or market exchange rates on the balance sheet. The same is true for long-term liabilities in reverse. Long-term assets and liabilities are defined as those with a remaining maturity greater than one year.

Under IFRS foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end arising from foreign currency transactions are translated at year-end exchange rates for monetary items while historical rates are used for non-monetary items. Those non-monetary items in foreign currencies recorded at fair values are translated at the exchange rate on the revaluation date.

### **Derivatives**

According to Swiss Statutory Accounting Rules measurement of derivatives is at the lower of cost or market value or mark-to-market. There are no specific rules for hedge accounting. Accordingly, there are a wide range of possible hedge accounting treatments. Shell Trading Switzerland's derivatives included in the 2005 financial statements were marked-to-market for statutory accounting purposes.

IFRS prescribe fair value measurement for derivatives with a classification under financial assets or liabilities held for trading, with changes in fair value recognised directly in the income statement unless such derivatives are designated and effective hedging instruments.

### **Income Taxes**

For statutory accounting purposes, Shell Trading Switzerland recognises a liability for current tax for current and prior periods to the extent such current tax is unpaid. Such current tax is based on the

actual statutory profit and current enacted local tax rates. There is no deferred tax in the statutory accounts.

Under IFRS, deferred income taxes are provided for all temporary differences for the expected future tax consequences of events that have already been recognised in the financial statements or tax returns, using current enacted local tax rates.

### **Other Provisions**

Other Provisions under Swiss Statutory Accounting rules may include certain liabilities arising from future obligations and/or future events, recognised under the statutory prudence principle. Under IFRS, financial liabilities are accounted for separately from other provisions. IFRS allow the recognition of present legal or constructive obligations arising from past events, only.

### **Legal Reserves**

According to the Swiss Statutory Accounting rules 5 per cent. of the net profit of the year have to be appropriated to legal reserves. The release of legal reserves is very restricted.

**REPORTS AND FINANCIAL STATEMENTS OF THE ISSUER**

**OIL SECURITIES LIMITED**

**Registered No: 88371**

**Report and Financial Statements for the Period from  
20 August 2004 to 31 December 2005**

## OIL SECURITIES LIMITED

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**OIL SECURITIES LIMITED**

**MANAGEMENT AND ADMINISTRATION**

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**Directors**

Graham Tuckwell – Chairman  
Vince FitzGerald  
Graeme Ross  
Craig Stewart  
Leanne Baker

**Company Secretary**

Greg Burgess

**Registered Office**

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

**English Legal Advisers**

Dechert LLP  
2 Serjeants Inn  
London EC4Y 1LT

**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

**Auditors**

Ernst & Young LLP  
Unity Chambers  
28 Halkett Street  
St Helier  
Jersey JE1 1EY

**Trustee**

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

## OIL SECURITIES LIMITED

### DIRECTORS' REPORT

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The directors of Oil Securities Limited ("OSL"/"the Company") submit herewith the annual report and financial statements of the Company for the financial period from incorporation on 20 August 2004 to 31 December 2005.

#### Directors

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

## OIL SECURITIES LIMITED

### DIRECTORS' REPORT - CONTINUED

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#### 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).

##### **Stuart Thomas — Non-Executive Director (appointed 1 February 2005. Resigned 3 March 2006)**

Mr Thomas, a 16-year veteran of Wall Street, began his career at Merrill Lynch, where he spent more than 10 years. During his tenure there, he worked as a US International Equity Salesman, a Senior Deal Manager on the Equity Syndicate Desk, and as Manager of the Convertible Sales & Marketing Desk before moving to Morgan Stanley as Manager of the Closed-End Fund Sales and Trading Department. While at Morgan Stanley, Mr Thomas is widely credited with creating their retail exchange-traded fund business. He served as Manager of the ETF Sales and Trading Department until his promotion in January 2002 to First Vice President, Director of Equity Capital Markets Sales. On behalf of the World Gold Council he started World Gold Trust Services in August 2002 to create, manage and market the first US commodity-backed equity traded on an exchange. In November 2004, StreetTracks Gold Shares (code: GLD) was launched on the New York Stock Exchange. In addition, Mr Thomas holds the position of managing director of Specialized Investment Solutions, LLC, a newly-formed company offering product development, management and sales for index and commodity-backed securities. Mr Thomas holds a Bachelor of Science degree in Economics and Finance from Fairleigh Dickinson University.

##### **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. Dr Baker's appointment as a Director of Oil Securities Limited is subject to approval being received from the Jersey Financial Services Commission.

##### **Greg Burgess – Non-Executive Director (appointed 20 August 2004. Resigned 1 February 2005)**

Mr Burgess is a qualified accountant and is the Company Secretary. He is responsible for all financial and administrative functions of the Company and maintains the same responsibilities for all companies in the Gold Bullion Holdings Limited group. His experience includes being the Chief Financial Officer of Wizard Information Services, senior positions within the Australian Department of Finance and internal auditor at Normandy Mining Limited. He holds a Bachelor of Arts (Accountancy) from the University of Canberra and is a Fellow of CPA Australia.

## OIL SECURITIES LIMITED

### DIRECTORS' REPORT - CONTINUED

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#### Principal Activities

The Company's principal activity is the listing and issue of Brent Oil Securities and WTI Oil Securities. During the course of the financial period only Brent 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.

An Oil Security is an undated secured limited recourse debt obligation of the Issuer (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 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 Oil Securities. The Oil Securities are constituted by a Trust instrument between Oil Securities Limited and the Law Debenture Trust Corporation plc ("Trustee") as trustee for the Security Holders of each class.

Oil Securities confer no right to receive physical oil but are financial instruments designed to track the price of oil futures. 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, 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. Two classes of Oil Security will be issued under this Programme — Brent Oil Securities, which are priced off the Brent Contract traded on the IPE in London, and WTI Oil Securities, which are priced off the WTI Contract traded on NYMEX in New York. To date only Brent Oil Securities have been issued. Oil futures contracts for a series of monthly delivery dates are quoted on both Exchanges and in each case contracts with nearby delivery dates will be used to price Oil Securities.

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

## **OIL SECURITIES LIMITED**

### **DIRECTORS' REPORT - CONTINUED**

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#### **Review of Operations**

The Company was incorporated on 20 August 2004 and the Oil Securities issued by the Company were admitted to the official list of the UK Listing Authority on 13 July 2005. Trading of Oil Securities commenced on the London Stock Exchange on 25 July 2005. The Oil Securities were also included in the Sistema Internacional de Cotizaciones ("SIC"), Mexico, on 29 September 2005.

A total of 1,070,000 Brent Oil Securities were in issue at 31 December 2005.

During the period, the Company generated Creation and Redemption fees connected with the issue of and redemption of Oil Securities. Income from these sources amounted to USD17,413. In addition, the Company received from Shell Trading Switzerland A.G. ("Shell") a Management Fee calculated at 0.5% per annum and a Selling Concession calculated at 0.5% per annum, based on the total daily value of Oil Contracts outstanding. Income from this source amounted to USD469,008, giving a total trading income of USD486,421 for the period since incorporation.

The operating costs of the Company over the same period amounted to USD469,219. These comprised paying a Management Fee to ETF Securities Limited ("ETFS") of 0.5% per annum and a Selling Concession to the initial Authorised Participants of 0.5% per annum, based on the total daily value of Oil Securities outstanding (equal to the value of Oil Contracts outstanding).

As a result, the Company realised a profit from trading operations of USD17,202, excluding bank interest received.

The Company's liability in connection with the issue of 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 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.

#### **Subsequent Events**

Subsequent to the period end, the Directors intend to issue a supplementary prospectus which will contain a provision whereby the benefit/cost of Shell providing the oil price exposure through the Oil Contracts will be reflected through an adjustment to the price of the Oil Securities and Oil Contracts. This adjustment will be set each week equal to the weekly LIBOR (as defined in the supplementary prospectus) less a spread (the Spread) agreed between Shell Trading Switzerland and ETF Securities Limited, from time to time, of not more than 1.0% per annum.

#### **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.

## OIL SECURITIES LIMITED

### DIRECTORS' REPORT - CONTINUED

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#### Dividends

The directors do not recommend the provision or payment of a dividend to holders of Ordinary Shares for the period. 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.

#### 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 ETFS, 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, ETFS, during the financial period:

Name	Fees
<b>Specified Directors:</b>	
Graham J Tuckwell	Nil
Stuart Thomas	Nil
Graeme D Ross (paid by ETFS)	£2,500
Craig A Stewart (paid by ETFS)	£2,500
Vincent WJ FitzGerald	Nil
Leanne M Baker	Nil
Greg Burgess	Nil

#### Auditors

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

On behalf of the Directors

#### Graeme D Ross

Director

Jersey

7 April 2006

## **OIL SECURITIES LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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. 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.

## **OIL SECURITIES LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OIL SECURITIES LIMITED**

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We have audited the company's financial statements for the period ended 31 December 2005 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Shareholders' Equity and the related notes 1 to 16. 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **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 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Ernst & Young LLP

10 April 2006

**OIL SECURITIES LIMITED****INCOME STATEMENT FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005**

	Note	Period ended 31 December 2005 USD
<b>Revenue From Ordinary Activities</b>		
Decrease in fair value of the Oil Securities	9	3,844,523
Creation and Redemption Fees	2	17,413
Management Fee	2	234,504
Selling Concession	2	234,504
Bank interest received		<u>477</u>
		<u>4,331,421</u>
<b>Expenses From Ordinary Activities</b>		
Decrease in the fair value of Oil Contracts	8	3,844,523
Management Fee	2	234,504
Selling Concession	2	234,504
Bank Charges		<u>211</u>
		<u>4,313,742</u>
<b>Profit From Ordinary Activities</b>	2	<u>17,679</u>

The directors consider the Company's activities are continuing.

**Retained Profit**

Retained profit at incorporation	-
Profit from ordinary activities	17,679
Dividend Payable	<u>-</u>

**Retained Profit carried forward** **17,679**

The notes on pages 13 to 21 form part of these financial statements

**OIL SECURITIES LIMITED****BALANCE SHEET AS AT 31 DECEMBER 2005**

	Note	2005 USD
<b>Current Assets</b>		
<i>Financial Assets at fair value through profit and loss</i>		
Oil Contracts held (designated upon initial recognition)	8	59,509,908
<i>Other current assets</i>		
Debtors	7	9,242
Management Fee and Selling Concession receivable		75,688
Cash		<u>7,559</u>
<b>Total Current Assets</b>		59,602,397
<b>Total Assets</b>		<u>59,602,397</u>
<b>Current Liabilities</b>		
<i>Financial Liabilities at fair value through profit and loss</i>		
Oil Securities in issue (designated upon initial recognition)	9	59,509,908
<i>Other current liabilities</i>		
Trade Creditors		<u>73,068</u>
<b>Total Current Liabilities</b>		<u>59,582,976</u>
<b>Equity</b>		
Share Capital	10	-
Share Premium	10	1,742
Retained Profits		<u>17,679</u>
<b>Total Equity</b>		<u>19,421</u>
<b>Total Equity and Liabilities</b>		<u>59,602,397</u>

The financial statements on pages 9 to 21 were approved by the board of directors and signed on its behalf on 7 April 2006.

Graeme D Ross  
Director

Craig A Stewart  
Director

The notes on pages 13 to 21 form part of these financial statements

**OIL SECURITIES LIMITED****CASH FLOW STATEMENT FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005**

	Note	Period ended 31 December 2005 USD
<b><i>Cash Flows From Operating Activities</i></b>		
Creation and Redemption Fees received		17,413
Management Fee and Selling Concession received		393,320
Net proceeds from the issue of Oil Securities		63,354,431
Net Payment for purchase of Oil Contracts		(63,354,431)
Management Fee and Selling Concession paid		(395,942)
Bank charges paid		<u>(211)</u>
<i>Net cash provided by operating activities</i>		14,580
<b><i>Cash Flows From Investing Activities</i></b>		
Bank interest received		<u>477</u>
<i>Net cash provided by investing activities</i>		477
<b><i>Cash Flows From Financing Activities</i></b>		
Proceeds from issue of ordinary shares		1,742
Loans made		<u>(9,240)</u>
<i>Net cash (used in) financing activities</i>		(7,498)
<b><i>Net Increase in Cash and Cash Equivalents</i></b>		7,559
<i>Cash and Cash Equivalents at the beginning of the period</i>		<u>-</u>
<b><i>Cash and Cash Equivalents at the end of the period</i></b>		<u><u>7,559</u></u>

The notes on pages 13 to 21 form part of these financial statements

OIL SECURITIES LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005

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	Share capital & premium USD	Retained profit USD	Total equity USD
Opening Balance	-	-	-
Profit for the period	-	17,679	17,679
Share capital & premium issued	<u>1,742</u>	<u>-</u>	<u>1,742</u>
<b>Balance at 31 December 2005</b>	<b><u>1,742</u></b>	<b><u>17,679</u></b>	<b><u>19,421</u></b>

The notes on pages 13 to 21 form part of these financial statements

## OIL SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005

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#### 1. Accounting Policies

The main accounting policies of the Company are described below.

##### ***Basis of Preparation of Financial Statements***

The financial statements are prepared under the historical cost convention except for the revaluation to fair value of Oil Contracts and Oil Securities in issue.

The financial statements have been prepared for the period from incorporation on 20 August 2004 to 31 December 2005 as permitted by the Companies (Jersey) Law 1991. Oil Securities were admitted to trading on the London Stock Exchange on 13 July 2005.

##### ***Statement of Compliance***

The financial statements of Oil Securities Limited have been prepared in accordance with International Financial Reporting Standards.

##### ***International Financial Reporting Standards not yet effective***

The company has not applied the following International Financial Reporting Standards that have been issued but are not yet effective. Any other standards issued but not yet effective are not listed below since they are not relevant to the Company.

###### *IFRS 7 Financial Instruments: Disclosures*

This standard is required to be applied for annual periods commencing on or after 1 January 2007, and will have an impact on the disclosures relating to financial instruments of the Company.

###### *IAS 1 Presentation of Financial Statements*

Amendments to this standard are required to be applied for annual periods commencing on or after 1 January 2007, and will have an impact on the disclosures relating to financial instruments of the Company.

###### *IAS 32 Financial Instruments: Disclosure and Presentation; and IAS 39 Financial Instruments: Recognition and Measurement*

Except for the early adoption of the Fair Value Option revision to IAS 39 Financial Instruments: Recognition and Measurement (amended 17 June 2005), the other amendments made to the above standards are required to be applied for annual periods commencing on or after 1 January 2006, and are not expected to have a material impact on the Company.

## OIL SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED

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#### 1. Accounting Policies - continued

##### ***Going concern***

These financial statements have been prepared on the going concern basis.

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 Oil Securities or Oil Contracts in issue. The Company may, at any time, upon 30 days notice (or seven days notice in the event that an Oil Purchase Agreement is terminated) to the security holders, redeem all of the Oil Securities of any class. In the event of an insolvency event or default on the part of Shell, the Trustee may, upon 20 days notice to the Company, require the Company to redeem all of the Oil Securities relating to the Oil Contracts of Shell.

In addition, if, after the first 12 months of the programme, over any three month period the average aggregate number of Oil Contracts outstanding from Shell is less than such number of Oil Contracts as would equal an aggregate entitlement of 10,000,000, then, within 45 days following the end of any such period, Shell may elect by notice to redeem all of its Oil Contracts. 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 Oil Securities.

##### ***Foreign currency translation***

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.

##### ***Cash and Cash Equivalents***

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

##### ***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 and Selling Concession income is recognised on an accruals basis as is the Management Fee and Selling Concession expense. Other income/expenses are recognised on an accruals basis.

##### ***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.

## OIL SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED

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#### 1. Accounting Policies - continued

##### *Financial Instruments*

##### **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 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 Oil Securities).

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 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 (being, for Brent Oil Securities and Contracts, in any month the closing futures contract traded on the International Commodities Exchange in which trading ceases in the immediate following month). 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 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 and Loss**

Each Oil Security/Contract comprises a debt instrument whose redemption price is linked directly to the price of oil on a one-to-one basis.

In accordance with IAS39 11A, these instruments are designated as at fair value through the profit and loss on issue. 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 Oil Securities) as it is intended that the asset and liability are equally matched.

**OIL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED**

**2. Profit from Ordinary Activities**

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

	<b>Period ended 2005 USD</b>
a) Revenue from ordinary activities includes:	
Creation Fees	13,420
Redemption Fees	3,993
Management Fee receivable from Shell	234,504
Selling Concession receivable from Shell	<u>234,504</u>
	<u>486,421</u>

The Creation and Redemption Fees are receivable from the Authorised Participants. The amount received is £750 for each creation and redemption of Oil Securities, regardless of the number of Oil Securities being created or redeemed.

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

	<b>Period ended 2005 USD</b>
b) Expenses include:	
Management Fee payable to ETFS	234,504
Selling Concessions	234,504
Bank Charges	<u>211</u>
	<u>469,219</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, Jersey registered company no 88370 ("ETFS"). Pursuant to this Agreement, ETFS 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.

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

The Selling Concession is payable to the initial Authorised Participants and is calculated at 0.5% per annum, based on the total daily value of Oil Securities outstanding.

## OIL SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED

#### 3. Directors' Remuneration

The directors of Oil Securities Limited during the period were:

- Mr Graham John Tuckwell
- Dr Vincent William John FitzGerald
- Mr Stuart Thomas
- Mr Graeme David Ross
- Mr Craig Andrew Stewart
- Mr Greg Burgess

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 ETFS (the parent company) during the period:

	<b>Period ended 2005 Fees</b>
<b>Specified Directors:</b>	
Graham J Tuckwell	Nil
John Stuart Thomas	Nil
Vincent W J FitzGerald	Nil
Graeme D Ross (paid by ETFS)	£2,500
Craig A Stewart (paid by ETFS)	£2,500
Gregory John Burgess	Nil

#### 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 period 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 ETFS and is not recognised within these financial statements.

#### 5. Remuneration of Auditors

	<b>Period ended 2005 GBP</b>
Audit of annual financial statements	20,000

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

	<b>2005 USD</b>
Unpaid share premium (see note 12)	1,742
Loan to parent company (see note 12)	<u>7,500</u>
	<u>9,242</u>

**OIL SECURITIES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED**

<b>8. Oil Contracts held for Oil Securities Issued</b>	<b>2005 USD</b>
Fair Value at designation as fair value through profit and loss	63,354,431
Change in fair value	<u>(3,844,523)</u>
Fair value at balance sheet date	<u>59,509,908</u>

A total of 1,070,000 Brent Oil Contracts are on issue from Shell Trading Switzerland A.G. At the balance sheet date, these Oil Contracts are shown at fair value.

<b>9. Oil Securities in Issue</b>	<b>2005 USD</b>
Fair Value at designation as fair value through profit and loss	63,354,431
Change in fair value	<u>(3,844,523)</u>
Fair value at balance sheet date	<u>59,509,908</u>

As at the balance sheet date, a total of 1,070,000 Brent Oil Securities are in issue and are shown at fair value.

<b>10. Issued Share Capital</b>	<b>2005 USD</b>
1,000 fully paid shares of Nil Par Value	-

The Company has an unlimited capital of nil par value shares.

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

	<b>No.</b>	<b>2005 USD</b>
<b>Balance at beginning of period</b>	-	-
Issue of share capital	1,000	-
Share premium on issued shares	<u>-</u>	<u>1,742</u>
<b>Balance at end of period</b>	<u>1,000</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 2005.

**OIL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED**

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**12. Related Party Disclosures**

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

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

The following transactions with ETFS took place during the period:	<b>2005 USD</b>
Management Fee for the period	<u>234,504</u>

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

The following balances were due (to)/from ETFS at the period end:

Management Fees payable at the end of the period	<u>(37,844)</u>
Loan receivable	7,500
Share premium receivable	<u>1,742</u>
	<u><u>9,242</u></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 £5,000.

Graeme Ross and Craig Stewart are directors of Computershare Investor Services (Channel Islands) Limited, the registrar. During the period, ETF Securities Limited paid registrar and secretarial fees to the registrar of £9,800. £3,625 was outstanding at the period end.

**OIL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED**

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**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 Oil Securities bear any interest.

*(b) Market Risk*

The Company's liability in respect of the 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 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 Oil Securities, may vary widely due to a number of factors.

*(c) Credit Risk*

The value of 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 Oil Securities, elect to redeem any matching Oil Contracts of Shell. Further, the Company may split 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 Oil Securities. The market price of Oil Securities is a function of supply and demand amongst investors wishing to buy and sell Oil Securities and the bid/offer spread that the market makers are willing to quote.

**OIL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 AUGUST 2004 TO 31 DECEMBER 2005 - CONTINUED**

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**14. Additional Company Information**

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). The Company's Oil Securities (LSE Code: OILB) are quoted on the LSE.

**15. Post Balance Sheet Event**

Subsequent to the period end, the Directors intend to issue a supplementary prospectus which will contain a provision whereby the benefit/cost of Shell providing the oil price exposure through the Oil Contracts will be reflected through an adjustment to the price of the Oil Securities and Oil Contracts. This adjustment will be set each week equal to the weekly LIBOR (as defined in the supplementary prospectus) less a spread (the Spread) agreed between Shell Trading Switzerland and ETF Securities Limited, from time to time, of not more than 1.0% per annum.

**16. Ultimate Controlling Party**

The ultimate controlling party is Graham Tuckwell.

**ETFS OIL SECURITIES LIMITED**

**Registered No: 88371**

**Report and Financial Statements for the  
Year ended 31 December 2006**

## ETFS OIL SECURITIES LIMITED

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**ETFS OIL SECURITIES LIMITED**  
**MANAGEMENT AND ADMINISTRATION**

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**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

**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  
Unity Chambers  
28 Halkett 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**

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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 2006.

#### **Directors**

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

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

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**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).

**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. Dr Baker's appointment as a Director of ETFS Oil Securities Limited is subject to approval being received from the Jersey Financial Services Commission.

**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.

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

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**Principal Activities**

The Company's principal activity is the listing and issue of ETFS Brent Oil Securities and ETFS WTI Oil Securities. During the course of the year both 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. Two classes of Oil Security will be issued under this Programme — ETFS Brent Oil Securities, which are priced off the Brent Contract traded on the IPE in London, and ETFS WTI Oil Securities, which are priced off the WTI Contract traded on NYMEX in New York. Oil futures contracts for a series of monthly delivery dates are quoted on both Exchanges and in each case contracts with nearby delivery dates will be used to price ETFS Oil Securities.

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

**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**

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**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.

A total of 2,571,632 Brent Oil Securities and 1,072,055 WTI Oil Securities were in issue at 31 December 2006.

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 USD33,802. In addition, the Company received from Shell Trading Switzerland A.G. ("Shell") a Management Fee calculated at 0.5% per annum and a Selling Concession calculated at 0.5% per annum, based on the total daily value of Oil Contracts outstanding. The Company ceased to receive Selling Concessions from Shell part way through the year. No Selling Concessions were received by the Company after May 2006. Income from this source amounted to USD745,342, giving a total trading income of USD779,144 for the year ended 2006.

The operating costs of the Company over the same period amounted to USD745,847. These comprised paying a Management Fee to ETF Securities Limited ("ETFSL") of 0.5% per annum and a Selling Concession to the initial Authorised Participants of 0.5% per annum, based on the total daily value of ETFS Oil Securities outstanding (equal to the value of Oil Contracts outstanding). The Company ceased to pay Selling Concessions to the initial Authorised Participants during May 2006.

As a result, the Company realised a profit from trading operations of 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.

**Subsequent Events**

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.

The securities are also now listed on the Borsa Italiana s.p.a.

**ETFSL OIL SECURITIES LIMITED**  
**DIRECTORS' REPORT - CONTINUED**

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**Future Developments**

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

**Dividends**

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:

<b>Directors</b>	<b>Ordinary Shares of Nil Par Value</b>
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:

<b>Name</b>	<b>Fees 2006</b>	<b>Fees 2005</b>
<b>Specified Directors:</b>		
Graham J Tuckwell	Nil	Nil
Graeme D Ross (paid by ETFSL)	£5,000	£2,500
Craig A Stewart (paid by ETFSL)	£5,000	£2,500
Vincent WJ FitzGerald	Nil	Nil
Leanne M Baker	Nil	Nil
Greg Burgess	Nil	Nil

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

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**Auditors**

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

On behalf of the Directors

**Graeme D Ross**  
Director

Jersey

2 July 2007

**ETFs OIL SECURITIES LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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 2006 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Change 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 Financial Statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Management and Administration page, and the Directors' report. 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 2006 and of its results for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Jersey, Channel Islands

Date: 2 July 2007

**ETFS OIL SECURITIES LIMITED**

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	Year ended 31 December 2006 USD	From 20 August 2004 to 31 December 2005 USD
<b><i>Revenue From Ordinary Activities</i></b>			
Decrease in fair value of the ETFS Oil Securities	9	17,053,306	3,844,523
Creation and Redemption Fees	2	33,802	17,413
Management Fee	2	597,346	234,504
Selling Concession	2	147,996	234,504
Bank Interest Received		996	477
		<u>17,833,446</u>	<u>4,331,421</u>
<b><i>Expenses From Ordinary Activities</i></b>			
Decrease in the fair value of Oil Contracts	8	17,053,306	3,844,523
Management Fee	2	597,346	234,504
Selling Concession	2	147,996	234,504
Bank Charges		505	211
		<u>17,799,153</u>	<u>4,313,742</u>
<b><i>Profit From Ordinary Activities</i></b>	<b>2</b>	<b><u>34,293</u></b>	<b><u>17,679</u></b>

The directors consider the Company's activities are continuing.

**Retained Profit**

Retained profit brought forward	17,679	—
Profit from ordinary activities	<u>34,293</u>	<u>17,679</u>
<b>Retained Profit carried forward</b>	<b><u>51,972</u></b>	<b><u>17,679</u></b>

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

**ETFS OIL SECURITIES LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2006**

	Note	2006 USD	2005 USD
<b>Current Assets</b>			
Financial Assets at fair value through profit and loss			
Oil Contracts held (designated upon initial recognition)	8	193,313,029	59,509,908
Other current assets			
Debtors	7	23,242	9,242
Creation and Redemption Fees receivable		29,845	-
Management Fee and Selling Concession receivable		75,102	75,688
Cash		627	7,559
<b>Total Current Assets</b>		<u>193,441,845</u>	<u>59,602,397</u>
<b>Total Assets</b>		<u>193,441,845</u>	<u>59,602,397</u>
<b>Current Liabilities</b>			
Financial Liabilities at fair value through profit and loss			
ETFS Oil Securities in issue (designated upon initial recognition)	9	193,313,029	59,509,908
Other current liabilities			
Trade Creditors		75,102	73,068
<b>Total Current Liabilities</b>		<u>193,388,131</u>	<u>59,582,976</u>
<b>Equity</b>			
Share Capital	10	1,742	1,742
Retained Profits		51,972	17,679
<b>Total Equity</b>		<u>53,714</u>	<u>19,421</u>
<b>Total Equity and Liabilities</b>		<u>193,441,845</u>	<u>59,602,397</u>

The financial statements on pages 10 to 22 were approved by the board of directors and signed on its behalf on 2 July 2007.

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 2006

	Year ended 31 December 2006 USD	From 20 August 2004 to 31 December 2005 USD
Note		
<b><i>Cash Flows From Operating Activities</i></b>		
Creation and Redemption Fees received	6,577	17,413
Management Fee and Selling Concession received	670,241	393,320
Proceeds from the issue of ETFS Oil Securities	235,250,072	63,354,431
Payment on redemption of ETFS Oil Securities	(84,393,645)	—
Payment for purchase of Oil Contracts	(235,250,072)	(63,354,431)
Proceeds on redemption of Oil Contracts	84,393,645	—
Management Fee and Selling Concession paid	(670,241)	(395,942)
Bank charges paid	(505)	(211)
<i>Net cash provided by operating activities</i>	<u>6,072</u>	<u>14,580</u>
<b><i>Cash Flows From Investing Activities</i></b>		
Bank interest received	996	477
<i>Net cash provided by investing activities</i>	<u>996</u>	<u>477</u>
<b><i>Cash Flows From Financing Activities</i></b>		
Proceeds from issue of ordinary shares	—	1,742
Loans made	(14,000)	(9,240)
<i>Net cash (used in) financing activities</i>	<u>(14,000)</u>	<u>(7,498)</u>
<b><i>Net (Decrease)/Increase in Cash and Cash Equivalents</i></b>	<b>(6,932)</b>	<b>7,559</b>
<i>Cash and Cash Equivalents at the beginning of the period</i>	<u>7,559</u>	<u>—</u>
<b>Cash and Cash Equivalents at the end of the year</b>	<b><u><u>627</u></u></b>	<b><u><u>7,559</u></u></b>

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 2006

	Stated Capital USD	Retained profit USD	Total equity USD
Opening Balance at 20 August 2004	—	—	—
Stated capital issued in the period	1,742	—	1,742
Profit for the period	—	17,679	17,679
<b>Balance at 31 December 2005</b>	<b>1,742</b>	<b>17,679</b>	<b>19,421</b>
<b>Opening Balance at 1 January 2006</b>	<b>1,742</b>	<b>17,679</b>	<b>19,421</b>
Profit for the year	—	34,293	34,293
<b>Balance at 31 December 2006</b>	<b>1,742</b>	<b>51,972</b>	<b>53,714</b>

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.

The prior period figures cover the period from 20 August 2004 to 31 December 2005, which is longer than the current twelve month period. As a result, the comparative 2005 figures are not entirely comparable.

***Standards, amendments and interpretations relevant to the company, issued but not effective in 2006 or early adopted by the company:***

IFRS 7, Financial instruments: Disclosures, introduces new disclosures relating financial instruments. This standard does not have any impact on the classification and valuation of the company's financial assets or financial liabilities.

The directors anticipate that the adoption of IFRS 7 in future periods will have no material financial impact on the financial statements of the company.

***Standards, amendments and interpretations not impacting on the company, issued but not effective for the year ended 31 December 2006:***

IAS 1 Amendment, Presentation of Financial Statements — Capital Disclosures

IFRS 8, Operating Segments

IFRIC 7, Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 8, Scope of IFRS2 (Share based Payments)

IFRIC 9, Reassessment of Embedded Derivatives

IFRIC 10, Interim Financial Reporting and Impairment

IFRIC 11, IFRS2: Group and Treasury Share Transactions

IFRIC 12, Service Concession Arrangements

**1. Accounting Policies — continued**

***Going concern***

These financial statements have been prepared on the going concern basis.

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. The Company may, at any time, upon 30 days notice (or seven days notice in the event that an Oil Purchase Agreement is terminated) to the security holders, redeem all of the ETFs Oil Securities of any class. In the event of an insolvency event or default on the part of Shell, the Trustee may, upon 20 days notice to the Company, require the Company to redeem all of the ETFs Oil Securities relating to the Oil Contracts of Shell.

In addition, if, after the first 12 months of the programme, over any three month period the average aggregate number of Oil Contracts outstanding from Shell is less than such number of Oil Contracts as would equal an aggregate entitlement of 10,000,000, then, within 45 days following the end of any such period, Shell may elect by notice to redeem all of its Oil Contracts. 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.

***Cash and Cash Equivalents***

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

***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 and Selling Concession income is recognised on an accruals basis as is the Management Fee and Selling Concession 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**

***Financial Instruments***

**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).

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 × 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 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 on issue. 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.

**ETFS OIL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 — CONTINUED**

**2. Profit from Ordinary Activities**

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

	<b>Year ended 31 December 2006 USD</b>	<b>From 20 August 2004 to 31 December 2005 USD</b>
(a) Revenue from ordinary activities includes:		
Creation Fees	26,850	13,420
Redemption Fees	6,952	3,993
Management Fee receivable from Shell	597,346	234,504
Selling Concession receivable from Shell	147,996	234,504
	<u>779,144</u>	<u>486,421</u>

The Creation and Redemption Fees are receivable from the Authorised Participants. The amount received was £750 until August 2006 for each creation and redemption of ETFS Oil Securities, regardless of the number of ETFS Oil Securities being created or redeemed. From August 2006 the Creation and Redemption fees were reduced to a flat £500 each way.

The Management Fee is calculated at 0.5% per annum and the Selling Concession is calculated at 0.5% per annum, based on the total daily value of Oil Contracts outstanding. From 25 April 2006, the selling concessions were ceased and the Prospectus changed. The amended Prospectus resulted in the basis of the management fee being changed to include the interest element.

	<b>Year ended 31 December 2006 USD</b>	<b>From 20 August 2004 to 31 December 2005 USD</b>
(b) Expenses include:		
Management Fee payable to ETFSL	597,346	234,504
Selling Concessions	147,996	234,504
Bank Charges	505	211
	<u>745,847</u>	<u>469,219</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, 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.

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.

**ETFs OIL SECURITIES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 — CONTINUED****2. Profit from Ordinary Activities — continued**

The Selling Concession is payable to the initial Authorised Participants and is calculated at 0.5 per cent. per annum, based on the total daily value of ETFs Oil Securities outstanding. The Company ceased to pay Selling Concessions to the initial Authorised Participants during May 2006.

**3. Directors' Remuneration**

The directors of ETFs 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

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 (the parent company) during the year:

	Year ended 31 December 2006 Fees	From 20 August 2004 to 31 December 2005 Fees
<b>Specified Directors:</b>		
Graham J Tuckwell	Nil	Nil
John Stuart Thomas	Nil	Nil
Vincent W J FitzGerald	Nil	Nil
Graeme D Ross (paid by ETFSL)	£5,000	£2,500
Craig A Stewart (paid by ETFSL)	£5,000	£2,500
Gregory John Burgess	Nil	Nil
Leanne Baker	Nil	Nil

**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 2006 GBP	From 20 August 2004 to 31 December 2005 GBP
Audit of annual financial statements	18,000	20,000

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

**ETFS OIL SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 — CONTINUED**

**6. Employee Benefits**

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

<b>7. Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>USD</b>	<b>USD</b>
Unpaid stated capital (see note 12)	1,742	1,742
Loan to parent company (see note 12)	21,500	7,500
	<u>23,242</u>	<u>9,242</u>

<b>8. Oil Contracts held for ETFS Oil Securities Issue</b>	<b>2006</b>	<b>2005</b>
	<b>USD</b>	<b>USD</b>
Fair Value at designation as fair value through profit or loss	210,366,335	63,354,431
Change in fair value	(17,053,306)	(3,844,523)
Fair value at balance sheet date	<u>193,313,029</u>	<u>59,509,908</u>

A total of 2,571,632 (2005: 1,070,000) ETFS Brent Oil Contracts with a fair value of \$131,582,314 (2005: \$59,509,908) and 1,072,055 ETFS WTI Oil Contracts with a fair value of \$61,730,715 are on issue from Shell Trading Switzerland A.G. At the balance sheet date, these Oil Contracts are shown at fair value.

<b>9. ETFS Oil Securities in Issue</b>	<b>2006</b>	<b>2005</b>
	<b>USD</b>	<b>USD</b>
Fair Value at designation as fair value through profit or loss	210,366,335	63,354,431
Change in fair value	(17,053,306)	(3,844,523)
Fair value at balance sheet date	<u>193,313,029</u>	<u>59,509,908</u>

As at the balance sheet date, a total of 2,571,632 (2005: 1,070,000) ETFS Brent Oil Securities with a fair value of \$131,582,314 (2005: \$59,509,908) and 1,072,055 ETFS WTI Oil Securities with a fair value of \$61,730,715 are on issue from Shell Trading Switzerland A.G. At the balance sheet date, these Oil Securities are shown at fair value.

<b>10. Stated Capital</b>	<b>2006</b>	<b>2005</b>
	<b>USD</b>	<b>USD</b>
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.

		<b>Stated Capital</b>	
	<b>No.</b>	<b>2006</b>	<b>2005</b>
		<b>USD</b>	<b>USD</b>
<b>Balance at beginning of period</b>	1,000	1,742	—
Movement during the year	—	—	1,742
<b>Balance at end of year</b>	<u>1,000</u>	<u>1,742</u>	<u>1,742</u>

**ETFs OIL SECURITIES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 — CONTINUED****11. Contingent Liabilities and Contingent Assets**

The Company does not have any material contingent liabilities or contingent assets at 31 December 2006.

**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:

	<b>2006</b>	<b>2005</b>
	<b>USD</b>	<b>USD</b>
Management Fee for the year	597,346	234,504

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

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

Management Fees payable at the end of the year	(75,102)	(37,844)
Loan receivable	21,500	7,500
Share premium receivable	1,742	1,742
	<u>23,242</u>	<u>9,242</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 (2005: £5,000).

Graeme Ross and Craig Stewart are directors of Computershare Investor Services (Channel Islands) Limited, the registrar. During the period, ETF Securities Limited paid registrar and secretarial fees to the registrar of £14,000 (2005: £9,800).

£4,625 (2005: £3,625) was outstanding at the year end.

**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.

(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.

**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 and the Frankfurt Stock Exchange.

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.

The securities are also now listed on the Borsa Italiana s.p.a. The Italian Legal Adviser to the Company is Studio Legale Cieri Crocenzi.

**15. Ultimate Controlling Party**

The ultimate controlling party is Graham Tuckwell.

## ANNEX 1

### FORM OF THE GLOBAL BEARER CERTIFICATES

#### INHABER-SAMMELZERTIFIKAT

für

- [siehe Anhang1] [Klasse der] Namensschuldverschreibungen

der

#### **ETFS Oil Securities Limited**

Ordinance House, 31 Pier Road, St Helier, Jersey, Channel Islands, JE4 8PW

eingeteilt in Teilschuldverschreibungen im Nennbetrag von je USD 5,00

Für dieses Inhaber-Sammelzertifikat hält die Clearstream Banking Aktiengesellschaft mit Sitz in Frankfurt am Main, Bundesrepublik Deutschland (im folgenden "Clearstream" genannt), als Deckung ● [siehe Anhang 1] [Klasse der] Namensschuldverschreibungen (im folgenden "Schuldverschreibungen" genannt) der ETFS Oil Securities Limited, Jersey, Channel Islands (im folgenden "Gesellschaft" genannt). Die durch den Treuhandvertrag vom 13. Juli 2005 zwischen der Gesellschaft und der The Law Debenture Trust Corporation p.l.c., in seiner jeweiligen Fassung (im folgenden "Treuhandvertrag" genannt) begründeten Schuldverschreibungen sind, wie im Treuhandvertrag näher dargelegt, besichert und in Namensteilschuldverschreibungen mit einem Nennbetrag von je USD 5,00 eingeteilt. Die Schuldverschreibungen sind auf Vidacos Nominees Limited, London, England, eingetragen und einem bei der Citibank N.A., London, England, unterhaltenen Sonderdepot verwahrt. Jeder Miteigentümer dieses Sammelzertifikats ist berechtigt, jederzeit von der Clearstream die Auslieferung und Registrierung einer seinem Miteigentumsanteil entsprechenden Stückzahl von [Klasse der] Schuldverschreibungen der Gesellschaft auf seinen Namen oder den Namen eines von ihm benannten Dritten in das maßgebliche Schuldverschreibungsregister zu verlangen.

Im Übrigen gelten die diesem Inhaber-Sammelzertifikat beigefügten Zertifikatsbedingungen, die Bestandteil dieser Urkunde sind.

Frankfurt am Main, den.

**CLEARSTREAM BANKING**

AKTIENGESELLSCHAFT

## ANNEX 2

### TEXT OF THE CONDITIONS OF THE GLOBAL BEARER CERTIFICATES

#### Zertifikatsbedingungen

1. Dieses Inhaber-Sammelzertifikat trägt die Unterschriften zweier Vorstandsmitglieder oder eines Vorstandsmitgliedes und eines Prokuristen der Clearstream Banking Aktiengesellschaft, Frankfurt am Main, Bundesrepublik Deutschland, (im folgenden "Clearstream" genannt).
2. Jeder Miteigentümer dieses Inhaber-Sammelzertifikats ist berechtigt, jederzeit von der Clearstream die Auslieferung und Registrierung einer seinem Miteigentumsanteil entsprechenden Stückzahl von ● [siehe Anhang 1] [Klasse der] Namensschuldverschreibungen (im folgenden "Schuldverschreibungen" genannt) der ETFS Oil Securities Limited, Jersey, Channel Islands (im folgenden "Gesellschaft" genannt) auf seinen Namen oder den Namen eines von ihm benannten Dritten in das maßgebliche Schuldverschreibungsregister zu verlangen. Die durch den Treuhandvertrag vom 13. Juli 2005 zwischen der Gesellschaft und der The Law Debenture Trust Corporation p.l.c., in seiner jeweiligen Fassung (im folgenden "Treuhandvertrag" genannt) begründeten Schuldverschreibungen sind, wie im Treuhandvertrag näher dargelegt, besichert und in Namensteilschuldverschreibungen mit einem Nennbetrag von je USD 5,00 eingeteilt. Einen entsprechenden Auftrag hat der Miteigentümer der Clearstream über seine Depotbank zu erteilen, wobei die Lieferadresse bzw. die Adresse an welche die Urkunde bezüglich der Eintragung in das Schuldverschreibungsregister durch den Registrar versandt werden soll, angegeben sein muss.

Außer der von der Clearstream im Rahmen des § 315 des Bürgerlichen Gesetzbuches bestimmten Gebühr für die Auslieferung bzw. Übertragung hat der Miteigentümer etwaige mit der Auslieferung bzw. Übertragung und Umschreibung entstehende sonstige Kosten, Steuern, Gebühren oder Abgaben zu tragen.

Die Auslieferung von Einzelstücken aus diesem Inhaber-Sammelzertifikat kann von den Miteigentümern nicht verlangt werden.

3. Die Clearstream vermittelt dem Miteigentümer über dessen Depotbank nach Maßgabe seines Anteils am Inhaber-Sammelzertifikat grundsätzlich alle Rechte aus den Schuldverschreibungen, soweit sie ihr nach Maßgabe des englischen Rechts bzw. des Rechts von Jersey, Channel Islands, zustehen.

Zinsen, Ausschüttungen, Kapital und etwaige sonstige Barzahlungen leitet die Clearstream an den Miteigentümer weiter.

Im Übrigen gelten die von der Clearstream gegebenenfalls bekannt zu gebenden Fristen und Bedingungen.

Sämtliche Zahlungen an den Miteigentümer erfolgen nach Maßgabe der jeweils geltenden Devisenvorschriften in EURO, es sei denn, dass der Miteigentümer rechtzeitig vor Fälligkeit Zahlung in USD (United States Dollars) verlangt hat.

4. Ein etwaiges Stimmrecht anlässlich einer Gläubigerversammlung wird die Clearstream grundsätzlich nicht ausüben. Sie wird dem Miteigentümer oder einem von diesem benannten Dritten auf Verlangen eine Vollmacht zur Ausübung des Stimmrechts erteilen lassen.

Die Gesellschaft hat sich verpflichtet, die Tagesordnung von Gläubigerversammlungen sowie die Voraussetzungen zur Teilnahme an der Gläubigerversammlung und zur Ausübung des Stimmrechts im Vorfeld einer solchen Gläubigerversammlung bekannt zu geben.

5. Sollte die Ausgabe des Inhaber-Sammelzertifikats zu irgendeinem Zeitpunkt in der Bundesrepublik Deutschland oder auf Jersey, Channel Islands, irgendwelchen Steuern, Gebühren oder Abgaben unterliegen, so haben die Miteigentümer diese Steuern, Gebühren oder Abgaben nach Maßgabe ihrer Anteile am Inhaber-Sammelzertifikat zu tragen.

Die Clearstream ist berechtigt, Steuern, Gebühren oder Abgaben, denen sie zu irgendeinem Zeitpunkt in der Bundesrepublik Deutschland oder auf Jersey, Channel Islands, allein auf Grund der Tatsache unterworfen wird, dass sie die Schuldverschreibungen hält, auf alle Miteigentümer nach Maßgabe ihrer Anteile am Inhaber-Sammelzertifikat umzulegen.

6. Treten aus irgendeinem Grunde an die Stelle der Schuldverschreibungen andere Schuldverschreibungen oder ein sonstiger Vermögenswert, so wandelt sich das Recht der Miteigentümer auf die Schuldverschreibungen in ein Recht auf den Ersatzgegenstand. Die Zertifikatsbedingungen gelten dann sinngemäß.
7. Die Clearstream ist berechtigt, die Citibank N.A., London, England, (im folgenden "Verwahrer" genannt) in ihrer Funktion als Verwahrer oder die Vidacos Nominees Ltd., London, England, (im folgenden "Nominee" genannt) in ihrer Funktion als Nominee durch eine andere Person zu ersetzen. Die Haftung der Clearstream beschränkt sich hierbei auf die sorgfältige Auswahl. Unberührt bleibt die Befugnis der Clearstream, die Funktion des Verwahrers oder des Nominees selbst wahrzunehmen. Im Fall der Ersetzung des Verwahrers oder des Nominees gelten alle Bezugnahmen auf den Verwahrer bzw. den Nominee in diesen Bedingungen als Bezugnahmen auf den neuen Verwahrer bzw. Nominee.
8. Werden die Schuldverschreibungen in einer die Mitwirkung der Clearstream in dieser Form nicht mehr erfordernden Weise an deutschen Wertpapierbörsen lieferbar oder wird die Zulassung der Schuldverschreibungen in Form von Miteigentumsanteilen am Inhaber- Sammelzertifikat zum Handel und zur amtlichen Notierung an deutschen Wertpapierbörsen zurückgenommen, so wird die Clearstream die Miteigentümer auffordern, ihr einen Auftrag gemäß Ziffer 2. Abs. 1 zu erteilen. Wird dieser Auftrag nicht innerhalb einer Frist von 3 Monaten seit Veröffentlichung der Aufforderung erteilt, so ist die Clearstream nach ihrem Ermessen berechtigt, die Eintragung der Schuldverschreibungen auf den Namen des Miteigentümers oder eines in der Aufforderung benannten Dritten zu veranlassen und die Schuldverschreibungen bei einer in der Aufforderung angegebenen Stelle für den Miteigentümer auf dessen Kosten und Gefahr zu hinterlegen. Damit erlöschen sämtliche Pflichten der Clearstream aus dem Inhaber-Sammelzertifikat.
9. Alle das Inhaber-Sammelzertifikat betreffenden Bekanntmachungen werden in mindestens je einem überregionalen Börsenpflichtblatt der deutschen Wertpapierbörsen veröffentlicht werden, an denen die Schuldverschreibungen in Form von Miteigentumsanteilen am Inhaber-Sammelzertifikat gehandelt und amtlich notiert werden.
10. Die Miteigentümer tragen anteilig alle wirtschaftlichen und rechtlichen Nachteile und Schäden, die den für das Inhaber-Sammelzertifikat als Deckung gehaltenen Bestand an Schuldverschreibungen infolge höherer Gewalt, Regierungserlassen, Krieg, Aufruhr, Verfügungen von hoher Hand im In- oder Ausland oder anderer Umstände treffen sollten, die die Clearstream oder der Verwahrer nicht zu vertreten haben.

Die Clearstream wird alle Verpflichtungen aus dem Inhaber-Sammelzertifikat mit der Sorgfalt eines ordentlichen Kaufmannes erfüllen. Wird sie durch höhere Gewalt, Regierungserlasse, Krieg, Aufruhr, Verfügungen von hoher Hand im In- oder Ausland oder andere Umstände, die sie nicht zu vertreten hat, an der Erfüllung ihrer Verpflichtungen gehindert, so trifft sie keine Verantwortung.

Der Verwahrer und der Nominee sind der Clearstream gegenüber zur ordnungsgemäßen Wahrnehmung der ihnen obliegenden Aufgaben verpflichtet. Etwaige Ansprüche gegen den Verwahrer oder den Nominee wird die Clearstream zugunsten der Miteigentümer geltend machen. Darüber hinaus haftet die Clearstream nur für die sorgfältige Auswahl des Verwahrers und des Nominees.

11. Sollte irgendeine dieser Bestimmungen ganz oder teilweise rechtsunwirksam oder undurchführbar sein oder werden, so bleiben die übrigen Bestimmungen hiervon unberührt. Für unwirksame oder undurchführbare Bestimmungen soll eine dem Sinn und Zweck dieses Vertragsverhältnisses entsprechende Regelung gelten.
12. Alle Rechtsbeziehungen zwischen dem Miteigentümer und der Clearstream unterliegen dem Recht der Bundesrepublik Deutschland. Ausschließlicher Gerichtsstand ist Frankfurt am Main.

13. Eine Änderung dieser Zertifikatsbedingungen ist nur zulässig, soweit durch sie die Rechte der Miteigentümer nicht beeinträchtigt werden, es sei denn, daß sie durch gesetzliche Vorschriften bedingt ist.

#### **Anhang 1**

Anhang 1 kann zu jeder Zeit ergänzt werden, sollten weitere Klassen von Schuldverschreibungen von ETFs Oil Securities Limited im Rahmen seines Multi-Klassen-Programms ausgegeben werden.

<b>Klasse</b>	<b>ursprüngliche ISIN (der Schuldverschreibung)</b>	<b>Nennbetrag</b>
Brent Oil	GB00B0CTWC01	USD 5.00
WTI Oil	GB00B0CTWK84	USD 5.00

## ANNEX 3

### FORM OF PRICING SUPPLEMENT

Pro Forma Pricing Supplement for an issue by ETFS Oil Securities Limited under the Programme for the Issue of Oil Securities

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#### PRICING SUPPLEMENT

Dated [●]

### ETFS Oil Securities Limited

*(Incorporated and registered in Jersey under  
the Companies (Jersey) Law 1991 (as amended) with registered number 88371)*

**(the “Company”)**

**Programme for the Issue of Oil Securities**

**Issue of  
[number] [class] Oil Securities  
(the “Oil Securities”)**

This Pricing Supplement (as referred to in the Prospectus (the “Prospectus”) dated 19 July 2007 in relation to the above Programme) relates to the issue of the Oil Securities referred to above. The Oil Securities have the terms provided for in the Trust Instrument dated 13 July 2005 (as amended) between the Company and The Law Debenture Trust Corporation p.l.c. as Trustee constituting the Oil Securities. Terms used in this Pricing Supplement bear the same meaning as in the Prospectus. The particulars in relation to this issue of Oil Securities are as follows:

Issuer:	ETFS Oil Securities Limited
ISIN	●
Issue Date:	[ — ]
Class:	●
Oil Major Company:	[ — ]
Near Entitlement:	[ — ]
Next Entitlement:	[ — ]
Near Contract Price:	[ — ]
Next Contract Price:	[ — ]
Multiplier:	[ — ]
Creation Price:	US\$[ — ]
Aggregate Number of Oil Securities to which this Pricing Supplement applies:	[[ — ]]

Following the issue of Oil Securities to which this Pricing Supplement applies, Oil Securities will be in issue corresponding to the following outstanding Oil Contracts with the following Oil Major Companies:

	<b>Shell Trading Switzerland AG</b>	<b>[Oil Major Company]</b>	<b>Total</b>
Brent 1mth	●	●	●
Brent 1yr	●	●	●
Brent 2yr	●	●	●
Brent 3yr	●	●	●
WTI 2mth	●	●	●
WTI 1yr	●	●	●
WTI 2yr	●	●	●
WTI 3yr	●	●	●



