ETFS Oil Securities Limited

Registered No: 88371

Unaudited Interim Financial Report for the Six Months to 30 June 2019

Contents

The directors of ETFS Oil Securities Limited ("OSL" or the "Company") submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2019.

Directors

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

Gregory Barton (resigned 15 March 2019)
Hilary Jones
Steven Ross
Peter Ziemba

Directors' Interests

No director has an interest in the Ordinary Shares of the Company as at the date of this report.

Principal Activities

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

Review of Operations

As at 30 June 2019, the Company had the following number of classes, in aggregate, of Energy Securities in issue and admitted to trading on the following exchanges:

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

As at 30 June 2019, the fair value of assets under management amounted to USD 245.2 million (31 December 2018: USD 240.0 million). The Company recognises its financial assets ("Energy Contracts") and financial liabilities ("Energy Securities") at fair value in the Condensed Statement of Financial Position.

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

	30 June 2019 USD	30 June 2018 USD
Creation and Redemption Fees	28,980	54,850
Management Fees	657,633	768,786
Total Fee Income	**686,613**	**823,636**

Under the terms of the service agreement with ETFS Management Company (Jersey) Limited ("ManJer"), the Company accrued expenses equal to the management fees and creation and redemption fees, which, after taking into account other operating income and expenses, resulted in an operating result for the period of USD Nil (30 June 2018: USD Nil).

Review of Operations (continued)

The gain or loss on Energy Securities and Energy Contracts is recognised in the Condensed Statement of Profit of Loss and Other Comprehensive Income in line with the Company's accounting policy.

The Company has entered into contractual obligations to issue and redeem Energy Securities at set prices on each trading day. These prices are based on an agreed formula published in the Prospectus, and are equal to the published net asset value ("NAV") of each class of Energy Securities.

IFRS 13 requires the Company to identify the principal market and to utilise the available market price within that principal market. The directors consider that the stock exchanges where the Energy Securities are listed to be the principal market and as a result the fair value of the Energy Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. As a result of the difference in valuation methodology between Energy Contracts and Energy Securities there is a mis-match between accounting values, and the results of the Company reflect a gain or loss on the difference between the agreed formula price of the Energy Contracts and the market price of Energy Securities. This gain or loss would be reversed on a subsequent redemption of the Energy Securities and redemption of the corresponding Energy Contracts. This is presented in more detail in note 5 to these interim financial statements.

Future Developments

United Kingdom's ("UK's") withdrawal from the European Union ("EU")

The process for the UK's withdrawal from the EU is still ongoing, the UK's future relationship with the EU is still uncertain and the renegotiations of treaties and agreements, together with legislation changes, have yet to be completed.

The Company is domiciled in Jersey, outside of the EU, and the Energy Securities are distributed in the EU under the EU Prospectus Directive which requires their offering to the public to be approved by an EU Member State regulator. To date, the Company has chosen the UK Financial Conduct Authority ("FCA") as its Member State regulator for these purposes. Request is then made to the FCA, as the chosen Member State regulator, for the passporting of the offering across the EU, once again, under the EU Prospectus Directive.

It is currently expected that, if necessary, the Company would select an alternate EU Member State regulator through which to seek approval and request passporting for its offering. As the Energy Securities already comply with the European wide requirements of the EU Prospectus Directive, this is not expected to cause any disruption or alteration to the terms or nature of the Energy Securities.

The Energy Securities continue to comply with all applicable laws and regulations. Continued assessment of the impact will be required throughout the withdrawal process.

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

Dividends

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

Employees

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

Directors' Remuneration

No director has a service contract with the Company. The directors of the Company who were employees within the ETF Securities Limited group or are employees within the WisdomTree group do not receive separate remuneration in their capacity as directors of the Company. R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") receives a fee in respect of the directors of the Company who are employees of R&H.

The directors' fees which have been paid by ManJer on behalf of the Company for the period:

	30 June 2019 GBP	30 June 2018 GBP
Gregory Barton	Nil	Nil
Christopher Foulds	Nil	1,750
Hilary Jones	4,000	Nil
Steven Ross	4,000	4,000
Peter Ziemba	Nil	Nil

Going Concern

The nature of the Company's business dictates that the outstanding Energy Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Energy Securities will coincide with the redemption of an equal amount of Energy Contracts, no liquidity risk is considered to arise. All other expenses of the Company are met by ManJer; therefore the directors consider the Company to be a going concern for the foreseeable future and have prepared the interim financial statements on this basis.

Directors Statement

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the directors confirm that to the best of their knowledge that:

- the interim financial statements for the period ended 30 June 2018 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by law and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

- the Directors' Report gives a fair view of the development of the Company's business, financial position and the important events that have occurred during the period and their impact on these interim financial statements.

On behalf of the directors

Hilary Jones
Director
Jersey
12 September 2019

	Notes	Period ended 30 June 2019 Unaudited USD	2018 Unaudited USD
Revenue	2	686,613	823,636
Expenses	2	(686,613)	(823,636)
Operating Result		**-**	**-**
Net Gain Arising on Contractual and Fair Value of Energy Contracts	3	54,508,223	65,278,130
Net Loss Arising on Fair Value of Energy Securities	4	(54,605,689)	(68,624,334)
Result and Total Comprehensive (Loss)/Income for the Period		**(97,466)**	**(3,346,204)**
[1] Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities	5	97,466	3,346,204
Adjusted Result and Total Comprehensive Income for the Period		**-**	**-**

The directors consider the Company's activities as continuing.

[1] An explanation of the non-statutory adjustments is set out on pages 10 and 11. This represents the movement in the difference between the Contractual Value of the Energy Contracts and the market price of Energy Securities.

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

	Notes	As at 30 June 2019 Unaudited USD	31 December 2018 Audited USD
Current Assets			
Trade and Other Receivables		98,943	113,016
Energy Contracts	3	245,200,452	239,961,492
Amounts Receivable on Energy Securities Awaiting Settlement	4	1,751,636	843,313
Amounts Receivable on Energy Contracts Awaiting Settlement	3	335,305	1,411,488
Total Assets		**247,386,336**	**242,329,309**
Current Liabilities			
Energy Securities	4	248,680,002	243,343,576
Amounts Payable on Energy Contracts Awaiting Settlement	3	1,751,636	843,313
Amounts Payable on Energy Securities Awaiting Settlement	4	335,305	1,411,488
Trade and Other Payables		95,201	109,274
Total Liabilities		**250,862,144**	**245,707,651**
Equity			
Stated Capital		1,742	1,742
Retained Profits		2,000	2,000
Revaluation Reserve		(3,479,550)	(3,382,084)
Total Equity		**(3,475,808)**	**(3,378,342)**
Total Equity and Liabilities		**247,386,336**	**242,329,309**

The condensed interim financial statements on pages 4 to 13 were approved and authorised for issue by the board of directors and signed on its behalf on 12 September 2019.

Hilary Jones
Director

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

	Period ended 30 June 2019 Unaudited USD	2018 Unaudited USD
Operating Result for the Period	**-**	**-**
Changes in Operating Assets and Liabilities		
Decrease in Receivables	14,073	1,444
Decrease in Payables	(14,073)	(1,444)
Cash Generated from Operating Activities	-	-
Net Increase in Cash and Cash Equivalents	**-**	**-**
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Period	**-**	**-**

Energy Securities are issued through a receipt of cash directly with the Energy Contract Counterparty or redeemed by the transfer of cash directly by the Energy Contract Counterparty. Cash flows in respect of the issue and redemption of Energy Securities and the creation and redemption of Energy Contracts have been netted off in the Condensed Statement of Cash Flows.

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

Condensed Statement of Changes In Equity

	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve[2] USD	Total Equity USD	Adjusted Total Equity USD
Audited Opening Balance at 1 January 2018		1,742	2,000	3,005,295	3,009,037	3,742
Result and Total Comprehensive Income for the Period		-	(3,346,204)	-	(3,346,204)	(3,346,204)
Transfer to Revaluation Reserve		-	3,346,204	(3,346,204)	-	-
[3] Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities		-	-	-	-	3,346,204
Unaudited Balance at 30 June 2018		**1,742**	**2,000**	**(340,909)**	**(337,167)**	**3,742**
Unaudited Opening Balance at 1 July 2018		1,742	2,000	(340,909)	(337,167)	3,742
Result and Total Comprehensive Income for the Period		-	(3,041,175)	-	(3,041,175)	(3,041,175)
Transfer to Revaluation Reserve		-	3,041,175	(3,041,175)	-	-
[3] Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities		-	-	-	-	3,041,175
Audited Balance at 31 December 2018		**1,742**	**2,000**	**(3,382,084)**	**(3,378,342)**	**3,742**
Audited Opening Balance at 1 January 2019		1,742	2,000	(3,382,084)	(3,378,342)	3,742
Result and Total Comprehensive Loss for the Period		-	(97,466)	-	(97,466)	(97,466)
Transfer to Revaluation Reserve	5	-	97,466	(97,466)	-	-
[3] Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities	5	-	-	-	-	97,466
Unaudited Balance at 30 June 2019		**1,742**	**2,000**	**(3,479,550)**	**(3,475,808)**	**3,742**

[2] This represents the difference between the Contractual Value of the Energy Contracts and the market price of Energy Securities.
[3] An explanation of the non-statutory adjustment is set out on pages 10 and 11.

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

1. Accounting Policies

The main accounting policies of the Company are described below.

Basis of Preparation

The interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2018. Except as described below under *Changes in Accounting Standards* the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the financial statements for the year ended 31 December 2019.

The presentation of interim financial statements in conformity with International Financial Reporting Standards (“IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these interim financial statements is in respect of the valuation of Energy Contracts and Energy Securities held at fair value through profit or loss as disclosed in notes 3 and 4. Actual results could vary from these estimates.

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

Changes in Accounting Standards

On 1 January 2019 the Company adopted IFRS 16, IFRS 9, IAS 28, IAS 19 and annual improvements and have assessed that the adoption of these revised and amended accounting standards has not resulted in any changes to the accounting policies and disclosures within these financial statements.

2. Operating Result

Operating result for the period comprised:

	Period ended 30 June 2019 Unaudited USD	2018 Unaudited USD
Creation and Redemption Fees	28,980	54,850
Management Fees	657,633	768,786
Total Revenue	**686,613**	**823,636**
ManJer Fees	(686,613)	(823,636)
Total Operating Expenses	**(686,613)**	**(823,636)**
Operating Result	**-**	**-**

3. Energy Contracts

	Period ended 30 June 2019 Unaudited USD	Period ended 30 June 2018 Unaudited USD
Change in Fair Value	**54,508,223**	**65,278,130**

	As at 30 June 2019 Unaudited USD	As at 31 December 2018 Audited USD
Energy Contracts at Fair Value	**245,200,452**	**239,961,492**

As at 30 June 2019, there were certain Energy Contracts awaiting settlement in respect of the creation or redemption of Energy Securities with transaction dates before the period end and settlement dates in the following period:

- The amount payable on Energy Contracts as a result of unsettled creations of Energy Securities is USD 1,751,636 (31 December 2018: USD 843,313).
- The amount receivable on Energy Contracts as a result of unsettled redemptions of Energy Securities is USD 335,305 (31 December 2018: USD 1,411,488).

4. Energy Securities

	Period ended 30 June 2019 Unaudited USD	Period ended 30 June 2018 Unaudited USD
Change in Fair Value	**(54,605,689)**	**(68,624,334)**

	As at 30 June 2019 Unaudited USD	As at 31 December 2018 Audited USD
Energy Securities at Fair Value	**248,680,002**	**243,343,576**

As at 30 June 2019, there were certain Energy Securities awaiting settlement in respect of creations or redemptions with transaction dates before the period end and settlement dates in the following period:

- The amount payable as a result of unsettled redemptions of Energy Securities is USD 335,305 (31 December 2018: USD 1,411,488).
- The amount receivable as a result of unsettled creations of Energy Securities is USD 1,751,636 (2018: USD 843,313).

5. Adjustment from Market Value to Contractual Value of Energy Securities

The Energy Contracts are priced at the end of each pricing day for each of the respective classes of security, using appropriate values of futures contracts to which they relate. Each class of Energy Contract has different characteristics as it looks at different forward periods.

The Company measures the Energy Securities at their market value than their Contractual Value (as described in the Prospectus) because IFRS 13 requires the Company to identify the principal market and to utilise the available market price within that principal market. The directors consider that the stock exchanges where the Energy Securities are listed to be the principal market and as a result the fair value of the Energy Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. The Energy Securities are priced using the closing mid-market price on the Statement of Financial Position date.

Consequently a difference arises between the value of Energy Contracts (at Contractual Value) and Energy Securities (at market value) presented in the Condensed Statement of Financial Position. This difference is reversed on a subsequent redemption of the Energy Securities and redemption of the corresponding Energy Contracts.

Whilst the Energy Securities are quoted on the open market, the Company's liability relates to its contractual obligations to issue and redeem Energy Securities at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAVs of each class of Energy Security. Therefore, the actual contractual issue and redemption of Energy Securities occur at a price that fully match gains or losses on the Energy Contracts. As a result the Company has no net exposure to gains or losses on the Energy Securities and Energy Contracts.

The contractual redemption values and movements in unrealised gains/losses during the period/year based on the Contractual Values are:

	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Energy Securities at Contractual Value	**245,200,452**	**239,961,492**
	Period ended 30 June	
	2019 Unaudited USD	**2018 Unaudited USD**
Change in Fair Value of Energy Securities	**(54,508,223)**	**65,278,130**

Through the mis-matched accounting values, the results of the Company reflect a gain or loss which represents the movement in the cumulative difference between the Contractual Value (based on the formula value set out in the Prospectus) of the Energy Contracts and the market price of Energy Securities. This gain or loss is transferred to a Revaluation Reserve which is non-distributable. The results of the Company are adjusted through the presentation of a non-statutory movement entitled 'Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities'.

5. Adjustment from Market Value to Contractual Value of Energy Securities (continued)

The mismatched accounting values are as shown below and represent the non-statutory adjustment presented in the Condensed Statement of Profit or Loss and Other Comprehensive Income:

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Net Gain Arising on Contractual and Fair Value of Energy Contracts	54,508,223	65,278,130
Net Loss Arising on Fair Value of Energy Securities	(54,605,689)	(68,624,334)
	(97,466)	**(3,346,204)**

The gain or loss on the difference between the Contractual Value of the Energy Contracts and the market price of Energy Securities would be reversed on a subsequent redemption of the Energy Securities and redemption of the corresponding Energy Contracts. This gain or loss is transferred to a Revaluation Reserve which is non-distributable and a reconciliation of the movements throughout the period/year is detailed below.

	2019 Unaudited USD	2018 Audited USD
Balance brought forward at 1 January	(3,382,084)	3,005,295
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities:		
Period 1 January to 30 June	(97,466)	(3,346,204)
Period 1 July to 31 December	-	(3,041,175)
	(97,466)	(6,387,379)
Closing balance at 30 June / 31 December	**(3,479,550)**	**(3,382,084)**

6. Fair Value Hierarchy

The levels in the hierarchy are defined as follows:

- Level 1 fair value based on quoted prices in active markets for identical assets.
- Level 2 fair values based on valuation techniques using observable inputs other than quoted prices within level 1.
- Level 3 fair values based on valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The Company is required to utilise the available market price as the Energy Securities are quoted on the open market. Therefore Energy Securities are classified as Level 1 financial liabilities.

6. Fair Value Hierarchy (continued)

The Company's rights in respect of Energy Contracts relates to its contractual obligations to issue and redeem Energy Securities at set prices on each trading day. These prices are based on an agreed formula (set out in the Prospectus), and are equal to the published NAV's of each class of Energy Security. Therefore, Energy Contracts are classified as level 2 financial assets, as the Company's asset is calculated using third party pricing sources supported by observable, verifiable inputs.

The categorisation of the Company's assets and (liabilities) are as shown below:

	Period ended 30 June 2019 Unaudited USD	Year ended 31 December 2018 Audited USD
Level 1		
Energy Securities	**(248,680,002)**	**(243,343,576)**
Level 2		
Energy Contracts	**245,200,452**	**239,961,492**

The Energy Securities and the Energy Contracts are recognised at fair value through profit or loss upon initial recognition in line with the Company's accounting policy. There are no financial assets or financial liabilities classified in level 3. There were no reclassifications during the period.

7. Related Party Disclosures

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

Fees charged by ManJer during the period:

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
ManJer Fees	**686,613**	**823,636**

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

	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
ManJer Fees Payable	**95,201**	**109,274**

At 30 June 2019, USD 1,742 is receivable from ManJer (31 December 2018: USD 1,742).

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 8,000 (30 June 2018: GBP 5,750).

Hilary Jones and Steven Ross are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer administration fees in respect of the Company of GBP 31,000 (30 June 2018: GBP 27,500), of which GBP 15,500 (30 June 2018: GBP 15,500) was outstanding at the period end.

8. Events Occurring After the Reporting Period

There have been no significant events since the reporting period that require disclosure.

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