



## WisdomTree Oil Securities Limited

**Registered No: 88371**

**Report and Financial Statements for the  
Year ended 31 December 2019**

|  |       |
|--|-------|
| Management and Administration                              | 1     |
| Directors' Report  | 2-7   |
| Statement of Directors' Responsibilities                   | 8     |
| Independent Auditor's Report                               | 9-14  |
| Statement of Profit or Loss and Other Comprehensive Income | 15    |
| Statement of Financial Position                            | 16    |
| Statement of Cash Flows                                    | 17    |
| Statement of Changes in Equity                             | 18    |
| Notes to the Financial Statements                          | 19-33 |

**Directors**

Stuart Bell  
Christopher Foulds  
Steven Ross  
Peter Ziemba

**Registered Office**

Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Manager**

WisdomTree Management Jersey Limited (formerly  
ETF Management Company (Jersey) Limited)  
Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Auditor**

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

**Jersey Legal Advisers**

Mourant Ozannes  
22 Grenville Street  
St Helier  
Jersey, JE4 8PX

**Administrator**

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

**Registrar**

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

**Trustee**

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

**Energy Contract Counterparty**

Shell Trading Switzerland AG  
Baarermatte  
6340 Baar  
Switzerland

**Company Secretary**

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

The directors of WisdomTree Oil Securities Limited (“OSL” or the “Company”), formerly ETFS Oil Securities Limited until a change of name on 26 September 2019, submit herewith the annual report and financial statements of the Company for the year ended 31 December 2019.

### Directors

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

|                    |                             |
|--------------------|-----------------------------|
| Gregory Barton     | (Resigned 15 March 2019)    |
| Stuart Bell        | (Appointed 28 October 2019) |
| Christopher Foulds | (Appointed 15 April 2020)   |
| Hilary Jones       | (Resigned 15 April 2020)    |
| 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

The Company's principal activity was the issue and listing of energy securities (“Energy Securities”).

Energy Securities are financial instruments designed to provide exposure to movements in the price of commodities, principally oil, and give investors an exposure similar to that which could be achieved by managing a fully cash-collateralised position in near-term futures contracts. However, unlike managing a futures position, Energy Securities involve no need to roll from one futures contract to another, no margin calls, and no other brokerage or other costs in holding or rolling futures contracts (although security holders incur other costs in holding Energy Securities).

Energy Securities were backed by energy contracts (“Energy Contracts”) with terms corresponding to the terms of Energy Securities. Each time Energy Securities were issued or redeemed, corresponding Energy Contracts between the Company and the Energy Contract Counterparty were created or redeemed by the Company. The Company has entered into an Energy Purchase Agreement with Shell Trading Switzerland AG (“Shell”), its Energy Contract Counterparty, enabling the Company to create and cancel Energy Contracts on an ongoing basis. No trading or management of futures contracts was required of the Company.

The Company earned management fees based upon the number of Energy Securities in issue. These fees are expressed as an annual percentage, calculated on a daily basis and reflected in the Net Asset Value (“NAV”) of the Energy Securities and paid monthly in arrears.

The Company has entered into a service agreement with WisdomTree Management Jersey Limited (“ManJer” or the “Manager”), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company, (including marketing) as well as the payment of costs relating to the listing and issuance of Energy Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the aggregate of the management fee and the creation and redemption fees (the “ManJer Fee”). As a result, amounts in respect of the management fee are transferred directly to ManJer by the Energy Contract Counterparty under the terms of the Energy Contracts and ManJer receives creation and redemption fees directly from Authorised Participants. Accordingly there are no cash flows through the Company.

## Review of Operations

The most recent Prospectus was issued on 20 May 2019. As at 31 December 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<br>Stock<br>Exchange | Borsa<br>Italiana | Deutsche<br>Börse | NYSE-<br>Euronext<br>Paris | Bolsa<br>Mexicana<br>de Valores |
|-------------------------|-----------------------------|-------------------|-------------------|----------------------------|---------------------------------|
| Brent Securities        | 5                           | 1                 | 1                 | 1                          | 1                               |
| WTI Securities          | 5                           | 1                 | 1                 | 1                          | -                               |
| Carbon Securities       | 2                           | -                 | -                 | -                          | -                               |
| Total Energy Securities | 12                          | 2                 | 2                 | 2                          | 1                               |

As at 31 December 2019, the fair value of assets under management amounted to USD 258.9 million (2018: USD 240.0 million). The Company recognises its financial assets (Energy Contracts) and financial liabilities (Energy Securities) at fair value in the Statement of Financial Position.

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

|                              | 2019<br>USD | 2018<br>USD |
|------------------------------|-------------|-------------|
| Creation and Redemption Fees | 24,670      | 103,218     |
| Management Fees              | 1,287,534   | 1,503,179   |
| Total Fee Income             | 1,312,204   | 1,606,397   |

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

The gain or loss on Energy Securities and Energy Contracts is recognised in the Statement of Profit or 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 NAV of each class of Energy Security.

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 were 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 Contractual Value of the Energy Contracts and the market price of Energy Securities. This gain or loss is reversed on a subsequent redemption of the Energy Securities and redemption of the corresponding Energy Contracts. This is presented in more detail in note 7 to these financial statements. The Company's exposure to risk is discussed in note 11 to the financial statements.

## Coronavirus disease (COVID-19)

On 11 March 2020, the Director-General of the World Health Organisation (“WHO”) announced that the WHO had assessed the worldwide outbreak of COVID-19 as a pandemic. National governments and supranational organisations in multiple states have taken steps designed to protect their populations from COVID-19, including requiring or encouraging home working, the cancellation of sporting, cultural and other events and restricting or discouraging gatherings of people. COVID-19 has created market turmoil and increased market volatility generally. The steps outlined above, and public sentiment, may affect both the volatility and prices of commodities and hence the prices of the Securities, and such effects may be significant and may be long-term in nature.

The directors have been closely monitoring the advice and developments relating to the spread of COVID-19, which is fluid and rapidly changing. The WisdomTree group has, and continues to implement measures to maintain the ongoing safety and well-being of employees, whilst continuing to operate business as usual.

In particular, as a result of the market turmoil, on 20 April 2020 the price of Crude Oil WTI futures traded at negative prices. The Company had in issue eight classes of the Energy Securities that referenced Crude Oil futures, and four of those that referenced the Crude Oil WTI futures.

Following an analysis of the potential impact of the price of Crude Oil futures, the Company decided that a significant increase in the number of relevant Energy Securities in issue may impact on the Counterparty's ability to hedge the exposure under the relevant Energy Contracts in these particularly volatile markets. Having regard to the interests of existing Security Holders in the relevant Energy Securities, rather than potential future Security Holders, a decision was made to focus the attention of the Counterparty on providing (and hedging) the current exposures rather than taking on additional exposures during that volatile period.

As a result, on 12 May 2020 the Company released an announcement to the Stock Exchanges that with effect from 2.30pm (London) the Company would no longer accept applications from Authorised Participants for new Energy Securities of the following classes:

- WisdomTree Brent Crude Oil 1mth (Ticker: OILB, ISIN: GB00B0CTWC01);
- WisdomTree Brent Crude Oil 1yr (Ticker: OSB1, ISIN: JE00B1YN4R61);
- WisdomTree Brent Crude Oil 2yr (Ticker: OSB2, ISIN: JE00B1YNWG12);
- WisdomTree Brent Crude Oil 3yr (Ticker: OSB3, ISIN: JE00B1YP7409);
- WisdomTree WTI Crude Oil 1yr (Ticker: OSW1, ISIN: JE00B1YPB605);
- WisdomTree WTI Crude Oil 2mth (Ticker: OILW, ISIN: GB00B0CTWK84);
- WisdomTree WTI Crude Oil 2yr (Ticker: OSW2, ISIN: JE00B1YPB712); and
- WisdomTree WTI Crude Oil 3yr (Ticker: OSW3, ISIN: JE00B1YPB936).

On 18 May 2020 the Company released an announcement to the Stock Exchanges that with effect from 2.30pm (London) the Company would no longer accept applications from Authorised Participants for new Energy Securities of the following class:

- WisdomTree Carbon (Ticker: CARB, ISIN: JE00B3CG6315).

On 20 May 2020 the Company released an announcement to the Stock Exchanges that Shell had served notice on the Company to terminate the Energy Purchase Agreement and as a result the Company subsequently issued a Compulsory Redemption notice in respect of all classes of Energy Securities, whereby all Energy Securities would be redeemed on 22 June 2020 (the “Compulsory Redemption Date”).

All Energy Securities redeemed on the Compulsory Redemption Date will be redeemed at the Redemption Price. A further announcement will be made following the Compulsory Redemption Date to confirm that final Redemption Price, which will be calculated in accordance with the provisions for a Compulsory Redemption set out in the Prospectus. The payment of the Redemption Price in respect of the Compulsory Redemption of each class of Energy Securities was made between 3 July 2020 and 6 July 2020, in US Dollars in the case of Oil Securities and in Euros in the case of Carbon Securities.

### Coronavirus disease (COVID-19) (continued)

Security Holders were not required to hold their Energy Securities until the Compulsory Redemption Date, and were able to redeem their Energy Securities prior to and on the last day of trading on European exchanges for Energy Securities, as follows:

- For all Security Holders on the register and underlying investors (“End Investors”), the last day of trading on European exchanges for Energy Securities was 10 June 2020.
- For Authorised Participants that have entered into Authorised Participant Agreements with the Company, Redemption Notices received (or deemed received) prior to 2.30pm London time (or 1.00pm in respect of WisdomTree Carbon) on 16 June 2020 were considered valid and processed in the normal way.

As described in note 11, the market price of Energy Securities is a function of supply and demand amongst investors wishing to buy and sell Energy Securities and the bid-offer spread that the market makers are willing to quote. The action taken by the Company directly impacted the supply of those Energy Securities and therefore may have impacted the market price prior to the Compulsory Redemption Date. The impact of COVID-19 is considered a non-adjusting event in accordance with IAS 10 Events after the Reporting Period.

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 financial statements.

### Going Concern

All expenses of the Company are met by ManJer. The directors have been closely monitoring the advice and developments relating to the spread of COVID-19. 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 compulsorily redeemed by the Company. Furthermore, there are mechanisms within the constitutive documents of the Energy Securities that enable the Counterparty to request a Compulsory Redemption in certain circumstances as set out and explained within the prospectus. As the redemption of Energy Securities will always coincide with the redemption of an equal amount of Energy Contracts, no net liquidity risk is considered to arise.

As described in more detail below (under Future Developments), following an analysis of the potential impact of the price of Crude Oil futures, the Company decided, during May 2020, that it would no longer accept applications from Authorised Participants for new Energy Securities. Further, on 20 May 2020, Shell Trading Switzerland AG (“Shell”) served a termination notice on the Company in respect of the Energy Purchase Agreement which required the Company to announce that it would compulsorily redeem all Energy Securities on 22 June 2020 (the “Compulsory Redemption Date”). In order to facilitate the Compulsory Redemption, the Company has redeemed all Energy Contracts. Following the distribution of the Redemption Price to all Security Holders, there will be no residual amounts due to Security Holders. As a result, it is the intention of the directors that the Company be subsequently wound up within once all contractual obligations have been terminated and all necessary regulatory requirements have been met. Therefore the directors have prepared the financial statements on a basis other than that of a going concern. Further details regarding the impact is provided in note 2 to these financial statements.

### Risk Management

Each Energy Security was a debt instrument whose redemption price is linked to the performance of the underlying futures contracts. The Energy Securities were issued under limited recourse arrangements whereby the holders have recourse only to the value of the Energy Contracts attributable to the class of securities they held and not to the Company. In addition, since any such price movements were wholly attributable to the Energy Security holders, the Company had no residual exposure to price movements of the Energy Contracts. From a commercial perspective, the gains or losses on the liability represented by the Energy Securities were matched economically by corresponding losses or gains attributable to the Energy Contracts (see detail on page 3 regarding the accounting mis-match). Further details surrounding the value of Energy Securities and Energy Contracts are disclosed in note 11.

Movements in the price of the underlying futures contracts, and thus the value of the Energy Securities, may vary widely which could have had an impact on the demand for the Energy Securities issued by the Company. These movements are shown in notes 6 and 7.

## Directors' Remuneration

No director has a service contract with the Company. The directors of the Company who are employees within the WisdomTree Investments, Inc 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 following directors' fees have been paid by ManJer on behalf of the Company for the year:

|                |                             | <b>2019</b> | <b>2018</b> |
|----------------|-----------------------------|-------------|-------------|
|                |                             | <b>GBP</b>  | <b>GBP</b>  |
| Gregory Barton | (Resigned 15 March 2019)    | Nil         | Nil         |
| Stuart Bell    | (Appointed 28 October 2019) | Nil         | Nil         |
| Hilary Jones   | (Resigned 15 April 2020)    | 8,000       | 1,315       |
| Steven Ross    |                             | 8,000       | 8,000       |
| Peter Ziemba   |                             | Nil         | Nil         |

## 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.

## Dividends

There were no dividends declared or paid in the year (2018: USD Nil). 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.

## Auditor

The Independent Auditor, Ernst & Young LLP were appointed during the year and a resolution to re-appoint them will be proposed at the next Board meeting of the directors.

## Corporate Governance

There is no standard code of corporate governance in Jersey. The operations, as previously described in the directors' report, are such that the directors have determined that the Company is not required to apply, and has elected not to voluntarily apply, the UK Corporate Governance Code.

As the Board is small, there is no nomination committee and appointments of new directors are considered by the Board as a whole. The Board does not consider it appropriate that directors should be appointed for a specific term. Furthermore, the structure of the Board is such that it is considered unnecessary to identify a senior non-executive director.

The constitution of the Board is disclosed on page 2. The Board meets regularly as required by the operations of the Company, but at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review.

## Audit Committee

The Board has not established a separate audit committee; instead the Board meets to consider the financial reporting by the Company, the internal controls, and relations with the external auditors. In addition the Board reviews the independence and objectivity of the auditors.



---

**Internal Control**

During the year the Company did not have any employees or subsidiaries, and there is no intention that this will change. The Company, being a special purpose company established for the purpose of issuing Energy Securities, has not undertaken any business, save for issuing and redeeming Energy Securities, entering into the required documents and performing the obligations and exercising its rights in relation thereto, since its incorporation. The Company does not intend to undertake any business other than issuing and redeeming Energy Securities and performing the obligations and exercising its rights in relation thereto.

The Company is dependent upon ManJer to provide management and administration services to it. ManJer is licensed under the Financial Services (Jersey) Law 1998 to conduct classes U and Z of Fund Services Business. ManJer outsources the administration services in respect of the Company to R&H. Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an ongoing basis by the Board, through their review of periodic reports.

ManJer provides management and other services to both the Company and other companies issuing commodity and index tracking securities.

The Board having reviewed the effectiveness of the internal control systems of the Manager and R&H, and having a regard to the role of its external auditors, does not consider that there is a need for the Company to establish its own internal audit function.



**Steven Ross**  
Director  
Jersey  
10 July 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

With regard to the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors confirm that to the best of their knowledge that:

- the financial statements for the year ended 31 December 2019 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 IFRS as issued by the IASB; and
- the Directors' Report gives a fair view of the development and performance of the Company's business, including financial position and the important events that have occurred during the year, and their impact on these financial statements, together with a description of the principal risks and uncertainties they face.

Additional information on other financial and operational risks and uncertainties faced by the Company are disclosed in note 11 of these financial statements. Detail of the wider macroeconomic risks faced by the Company are disclosed in the Directors' Report.

By order of the Board



**Steven Ross**  
Director  
10 July 2020

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

**Opinion**

We have audited the financial statements of WisdomTree Oil Securities Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Overview of our audit approach**

|                   |  |
|-------------------|--|
| Key audit matters | <ul style="list-style-type: none"> <li>▶ Valuation of Financial Assets at fair value through profit or loss - Energy Contracts</li> <li>▶ Valuation of Financial Liabilities at fair value through profit or loss - Energy Securities</li> </ul> |
| Materiality       | ▶ Overall materiality of US\$2.6m which represents 1% of total assets.   |

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE OIL SECURITIES LIMITED (continued)**

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk   | Our response to the risk  | Key observations communicated to the Board  |
|--|---|---|
| <p><b>Valuation of Financial Assets at fair value through profit or loss - Energy Contracts</b></p> <p><b>USD 258,897,595</b><br/><b>(2018: USD 239,961,492)</b></p> <p><i>Refer to the Accounting policies (pages 21-22); and Note 6 of the Financial Statements (pages 24-25)</i></p> <p>Risk that investment values are misstated or that valuations are incorrectly calculated.</p> <p>The Energy Contracts held comprise a range of commodity futures contracts that are used by the Company to provide holders of issued securities with exposure to movements in the price of energy linked commodities, being primarily oil.</p> <p>The Energy Contracts are carried at fair value as a Financial Asset.</p> <p>The risk comprises the risk of errors in both the valuation methodology applied (including the risk that the valuation methodology has not been determined in accordance with the terms of the applicable prospectus) and in the source and timing of valuation inputs utilised.</p> <p>The balance of Energy Contracts represents in excess of 99% of the company's total assets as at 31 December 2019 (2018: 99%) and therefore any error in valuation approach could be significant.</p> | <p>Our response to the risk comprised:</p> <p>An assessment of the company's systems and controls implemented in respect of commodity contract valuation.</p> <p>Review of predecessor audit workpapers to understand the strategy and approach to testing valuation in the prior period.</p> <p>Obtaining independent confirmation, from the contract counterparty, of the contractual terms of contracts as at the reporting date.</p> <p>Agreement of the valuation methodology applied to the definition set out in the prospectus and validation of key inputs used to derive the value of the Energy Contracts. This included agreement of the price of referenced futures contracts to external pricing source as at 31 December 2019.</p> <p>Recalculation of the value of a sample of Energy Contracts held at 31 December 2019, representing 98% of the total value of Energy Contracts held.</p> | <p>There were no matters identified during our audit work on valuation of Energy Contracts that we wanted to bring to the attention of the Board of Directors of the company.</p> |

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE OIL SECURITIES LIMITED (continued)**

| <b>Risk</b>   | <b>Our response to the risk</b>  | <b>Key observations communicated to the Board</b>  |
|---|--|--|
| <p><b>Valuation of Financial Liabilities at fair value through profit or loss - Energy Securities</b></p> <p><b>USD 258,884,194 (2018: USD 243,343,576)</b></p> <p><i>Refer to the Accounting policies (pages 21-22); and Note 7 of the Financial Statements (pages 25-26)</i></p> <p>Risk that values of securities in issue are misstated or that valuations are incorrectly captured.</p> <p>The Energy Securities in issue comprise a range of financial instruments that provide holders with exposure to movements in the price of energy linked commodities, being primarily oil.</p> <p>The Energy Securities are carried at fair value as a Financial Liability.</p> <p>The risk comprises the risk of errors in both the valuation methodology applied and in the source and timing of valuation inputs utilised.</p> <p>The balance of Energy Securities represents in excess of 98% of the company's total liabilities as at 31 December 2019 (2018: 99%) and therefore any error in valuation approach could be significant.</p> | <p>Our response to the risk comprised:</p> <p>An assessment of the company's systems and controls implemented in respect of commodity security valuation.</p> <p>Review of predecessor audit workpapers to understand the strategy and approach to testing valuation in the prior period.</p> <p>Assessed the appropriateness of the valuation methodology applied, comprising the use of traded security prices to value the Energy Securities, against relevant IFRS requirements.</p> <p>Independently obtained security prices using external pricing sources at the balance sheet date.</p> <p>Recalculation of the value Energy Securities held at 31 December 2019, by multiplying the security price by the security balance in issue. This represented 100% of the total value of Energy Securities in issue.</p> | <p>There were no matters identified during our audit work on valuation of Energy Securities that we wanted to bring to the attention of the Board of Directors of the company.</p> |

**Emphasis of Matter – Financial statements prepared on a basis other than going concern and Effects of COVID-19**

We draw attention to Note 2 to the financial statements which explains that the directors intend to liquidate the company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 2. Our opinion is not modified in this respect of this matter.

We draw attention to Note 2, Note 11(e)(i) and Note 13 of the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting financial markets and creating greater volatility in commodity prices. Our opinion is not modified in respect of this matter.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE OIL SECURITIES LIMITED (continued)**

### **An overview of the scope of our audit**

#### **Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

#### **Changes from the prior year**

We have identified no changes in the scope of the audit compared to the prior year. The primary accounting and administrative activities for the Company were conducted in the same geographical locations and by the same service providers as in the prior year and as a result our work was conducted as a single audit process.

#### **Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### **Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the company to be US\$2.6 million (2018: US\$1.2 million), which is 1% (2018: 0.5%) of Total Assets. We believe that Total Assets provides us with an appropriate basis for audit materiality as Total Asset value reflects the relevant exposure of holders of issued securities to the underlying asset base.

As our first period of appointment as auditor the basis above has been determined based on our understanding of the current business and its ownership and operation in the current year, including the level at which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

In particular we have considered both the nature of the exposure to asset performance being obtained by security holders and the expectations of the users of the financial statements by observing the basis applied across existing WisdomTree exchange traded issuer products.

The entity is structured such that the security holders interests are reflected as a liability, but provide exposure to net assets invested, with the 1% being considered appropriate in the context of such net asset exposure.

The basis is also consistent with other audited WisdomTree exchange traded issuer platforms in Europe, where 1% of assets has historically been applied as the basis for materiality, so we have reflected this established level of user expectation for WisdomTree issuer vehicles.

During the course of our audit, we reassessed initial materiality and noted no factors leading us to amend materiality levels from those originally determined at the audit planning stage.

#### **Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE OIL SECURITIES LIMITED (continued)**

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2018: Not reported) of our planning materiality, namely US\$1.3m (2018: Not reported). We have set performance materiality at this percentage due to this being our initial year of appointment as auditor.

As performance materiality was not separately reported by the predecessor auditor we are not able to report on any variation compared to the basis or amounts utilised in the prior year.

### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US\$131,000 (2018: US\$60,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

The basis of determining the amount remains consistent with that applied in the prior year at 5% of planning materiality, with the increase explained by the higher overall percentage used in determining planning materiality.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the annual report set out on pages 1 to 8, including the Directors' Report set out on pages 2 to 7 and the Statement of Directors' Responsibilities set out on page 8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE OIL SECURITIES LIMITED (continued)**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

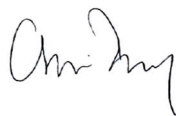
### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher David Gordon Barry, FCA  
for and on behalf of Ernst & Young LLP  
Jersey, Channel Islands  
10 July 2020

### **Notes:**

1. The maintenance and integrity of the WisdomTree Oil Securities Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



|  | Notes | Year ended 31 December |                    |
|--|-------|------------------------|--------------------|
|  |       | 2019<br>USD            | 2018<br>USD        |
| Revenue  | 3     | 1,312,204              | 1,606,397          |
| Expenses   | 3     | (1,312,204)            | (1,606,397)        |
| <b>Operating Result</b>  | 3     | <b>-</b>               | <b>-</b>           |
| Net Gain/(Loss) Arising on Contractual and Fair Value of Energy Contracts  | 6     | 72,474,904             | (21,805,277)       |
| Net (Loss)/Gain Arising on Fair Value of Energy Securities   | 7     | (69,079,419)           | 15,417,898         |
| <b>Result and Total Comprehensive Income/(Expense) for the Year</b>  | 7     | <b>3,395,485</b>       | <b>(6,387,379)</b> |
| <sup>1</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities | 2     | (3,395,485)            | 6,387,379          |
| <b>Adjusted Result</b>   |       | <b>-</b>               | <b>-</b>           |

The directors consider all of the Company's activities as discontinued.

<sup>1</sup> An explanation of the non-statutory and non-GAAP adjustment is set out on page 22. This represents the movement in the difference between the Contractual Value of the Energy Contracts and the market price of Energy Securities.

|   |       | As at 31 December  |                    |
|---|-------|--------------------|--------------------|
|   | Notes | 2019<br>USD        | 2018<br>USD        |
| <b>Assets</b>   |       |                    |                    |
| Energy Contracts  | 6     | 258,897,595        | 239,961,492        |
| Amounts Receivable on Energy Contracts Awaiting Settlement  | 6     | 2,849,152          | 1,411,488          |
| Amounts Receivable on Energy Securities Awaiting Settlement | 7     | -                  | 843,313            |
| Trade and Other Receivables                                 | 5     | 133,776            | 113,016            |
| <b>Total Assets</b>   |       | <b>261,880,523</b> | <b>242,329,309</b> |
| <b>Liabilities</b>  |       |                    |                    |
| Energy Securities   | 7     | 258,884,194        | 243,343,576        |
| Amounts Payable on Energy Securities Awaiting Settlement    | 7     | 2,849,152          | 1,411,488          |
| Amounts Payable on Energy Contracts Awaiting Settlement     | 6     | -                  | 843,313            |
| Trade and Other Payables                                    | 8     | 130,034            | 109,274            |
| <b>Total Liabilities</b>                                    |       | <b>261,863,380</b> | <b>245,707,651</b> |
| <b>Equity</b>   |       |                    |                    |
| Stated Capital  | 9     | 1,742              | 1,742              |
| Retained Earnings   |       | 2,000              | 2,000              |
| Revaluation Reserve   |       | 13,401             | (3,382,084)        |
| <b>Total Equity</b>   |       | <b>17,143</b>      | <b>(3,378,342)</b> |
| <b>Total Equity and Liabilities</b>                         |       | <b>261,880,523</b> | <b>242,329,309</b> |

The assets and liabilities in the above Statement of Financial Position are presented in order of liquidity from most to least liquid,

The financial statements on pages 15 to 33 were approved and authorised for issue by the board of directors and signed on its behalf on 10 July 2020.



**Steven Ross**  
Director

|   | Year ended 31 December |             |
|---|------------------------|-------------|
|   | 2019<br>USD            | 2018<br>USD |
| <b>Operating Result for the Year</b>                    | -                      | -           |
| Cash Generated from Operating Activities                | -                      | -           |
| <b>Net Increase in Cash and Cash Equivalents</b>        | <b>-</b>               | <b>-</b>    |
| Cash and Cash Equivalents at the Beginning of the Year  | -                      | -           |
| Net Increase in Cash and Cash Equivalents               | -                      | -           |
| <b>Cash and Cash Equivalents at the End of the Year</b> | <b>-</b>               | <b>-</b>    |

Energy Securities are issued through a direct transfer of cash from the Authorised Participant to the Energy Contract Counterparties or redeemed by the direct transfer of cash by the Energy Contract Counterparties to the Authorised Participant. As such the Company is not a party to any cash transactions. The creations and redemptions of Energy Securities and additions and disposals of Energy Contracts, which are non-cash transactions for the Company, are disclosed in notes 6 and 7 respectively in the reconciliation of opening to closing Energy Securities and Energy Contracts.

The Company has entered into a service agreement with WisdomTree Management Jersey Limited (“ManJer” or the “Manager”), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company, (including marketing) as well as the payment of costs relating to the listing and issuance of Energy Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the aggregate of the management fee and the creation and redemption fees (the “ManJer Fee”). As a result, amounts in respect of the management fee are transferred directly to ManJer by the Energy Contract Counterparty under the terms of the Energy Contracts and ManJer receives creation and redemption fees directly from Authorised Participants. Accordingly there are no cash flows through the Company.

|   | Notes | Stated<br>Capital<br>USD | Retained<br>Earnings<br>USD | Revaluation<br>Reserve <sup>2</sup><br>USD | Total<br>Equity<br>USD | Adjusted<br>Total Equity<br>USD |
|---|-------|--------------------------|-----------------------------|--|------------------------|---------------------------------|
| <b>Opening Balance at 1 January 2018</b>  |       | <b>1,742</b>             | <b>2,000</b>                | <b>3,005,295</b>                           | <b>3,009,037</b>       | <b>3,742</b>                    |
| Result and Total Comprehensive Income for the Year  |       | -                        | (6,387,379)                 | -  | (6,387,379)            | (6,387,379)                     |
| Transfer to Revaluation Reserve   | 7     | -                        | 6,387,379                   | (6,387,379)                                | -                      | -                               |
| <sup>3</sup> Adjustment from Market Value to Contractual Value<br>(as set out in the Prospectus) of Energy Securities | 7     | -                        | -                           | -  | -                      | 6,387,379                       |
| <b>Balance at 31 December 2018</b>  |       | <b>1,742</b>             | <b>2,000</b>                | <b>(3,382,084)</b>                         | <b>(3,378,342)</b>     | <b>3,742</b>                    |
| Opening Balance at 1 January 2019   |       | 1,742                    | 2,000                       | (3,382,084)                                | (3,378,342)            | 3,742                           |
| Result and Total Comprehensive Income for the Year  |       | -                        | 3,395,485                   | -  | 3,395,485              | 3,395,485                       |
| Transfer to Revaluation Reserve   | 7     | -                        | (3,395,485)                 | 3,395,485                                  | -                      | -                               |
| <sup>3</sup> Adjustment from Market Value to Contractual Value<br>(as set out in the Prospectus) of Energy Securities | 7     | -                        | -                           | -  | -                      | (3,395,485)                     |
| <b>Balance at 31 December 2019</b>  |       | <b>1,742</b>             | <b>2,000</b>                | <b>13,401</b>                              | <b>17,143</b>          | <b>3,742</b>                    |

<sup>2</sup> This represents the difference between the Contractual Value of the Energy Contracts and the market price of Energy Securities.

<sup>3</sup> An explanation of the non-statutory and non-GAAP adjustment is set out on page 22.

The notes on pages 19 to 33 form part of these financial statements

## 1. General Information

WisdomTree Oil Securities Limited (the “Company”) is a company incorporated and domiciled in Jersey. The address of the registered office is Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW. The name of the Company was changed from ETFS Oil Securities Limited on 26 September 2019.

The purpose of the Company was to provide a vehicle that facilitated the issuance and subsequent listing and trading of Energy Securities. The Company did not make gains from trading in the underlying Energy Contracts themselves. The Energy Securities were issued under limited recourse arrangements whereby the Company had no residual exposure to price movements of the underlying assets, therefore from a commercial perspective gains and losses in respect of Energy Contracts was always be offset by a corresponding loss or gain on the Energy Securities. Further details regarding the risks of the Company are disclosed in note 11.

Exchange-traded products are not typically actively managed, are significantly lower in cost when compared to actively managed mutual funds and are easily accessible to investors. No trading or management of futures contracts is required of the Company because the Company has entered into arrangements to acquire an equivalent asset exposure represented by the Energy Securities from a third party which fully hedges the exposure of the Company.

The Company was entitled to:

- (1) a management fee which is calculated by applying a fixed percentage to the contractual value of Energy Securities in issue on a daily basis; and
- (2) creation and redemption fees on the issue and redemption of the Energy Securities.

No creation or redemption fees are payable to the Company when investors traded in the Energy Securities on a listed market such as the London Stock Exchange. Creation and redemption fees may also be waived with certain approved persons where applicable.

The Company has entered into a service agreement with WisdomTree Management Jersey Limited (“ManJer” or the “Manager”), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company, (including marketing) as well as the payment of costs relating to the listing and issuance of Energy Securities. In return for these services, the Company pays ManJer an amount equal to the management fees and the creation and redemption fees earned (the “ManJer Fee”). As a result there are no operating profits or losses recognised through the Company.

## 2. Accounting Policies

The main accounting policies of the Company are described below.

### Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

### Critical Accounting Estimates and Judgements

The presentation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

## 2. Accounting Policies (continued)

### Critical Accounting Estimates and Judgements (continued)

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 key accounting judgements required to prepare these financial statements are in respect of:

- The presentation of the non-statutory and non-GAAP adjustments to the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity, as disclosed on page 23. As a result of the mismatch in the valuation of Energy Contracts and Energy Securities held at fair value through profit or loss as disclosed in notes 6 and 7; and
- The preparation of the financial statements applying a basis other than that of a going concern. Further details regarding those significant judgements are described below.

The directors do not consider that any significant estimates have been applied in the preparation of these financial statements.

### 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 compulsorily redeemed by the Company. As described in more detail in note 13, following an analysis of the potential impact of the price of Crude Oil futures, the Company decided, during May 2020, that it would no longer accept applications from Authorised Participants for new Energy Securities. Further, on 20 May 2020, Shell served a termination notice on the Company in respect of the Energy Purchase Agreement which required the Company to announce that it would compulsorily redeem all Energy Securities on 22 June 2020 (the "Compulsory Redemption Date"). As the redemption of Energy Securities always coincides with the redemption of an equal amount of Energy Contracts, no net liquidity risk is considered to have arisen. In order to facilitate the Compulsory Redemption, the Company redeemed all Energy Contracts. Following the distribution of the Redemption Price to all Security Holders, there will be no residual amounts due to Security Holders. As a result, it is the intention of the directors that the Company be subsequently wound up once all contractual obligations have been terminated and all necessary regulatory requirements have been met. Therefore the directors have prepared the financial statements on a basis other than that of a going concern.

Accordingly:

- All operations are considered discontinued;
- All expenses of the Company are met by ManJer, and this will include any costs associated with the termination of the Energy Contracts, as well as any costs associated with distribution of the Redemption Proceeds to Security Holders. As a result the directors do not consider it necessary to include a provision in these financial statements for any such costs;
- Under the terms of the service agreement with ManJer, the Company is liable to accrue an expense equal to the management fees and creation and redemption fees received, therefore the directors do not consider the service agreement to constitute an onerous contract and have not included a provision in these financial statements for the acceleration of the ManJer fees due after the statement of financial position date;
- All assets and liabilities have been classified as current;
- The directors are of the opinion that the recoverable amount of the Energy Contracts remains the carrying value; and
- The directors are of the opinion that it remains appropriate to record the Energy Securities using the closing mid-market price at the statement of financial position date as this was, and continues to be, the price realisable by the Security Holders whilst the Energy Securities continued trading on stock exchanges. The directors also consider that the Contractual Value and the market price of the Energy Securities is not materially different and accordingly the market price remained representative of the recoverable amount for the Energy Securities.

## 2. Accounting Policies (continued)

### Accounting Standards

#### (a) *Standards, amendments and interpretations adopted in the year:*

In preparing the financial statements the Company has adopted all new or revised Standards and Interpretations in issue and effective for the year, none of which are considered to have resulted in a significant effect on these financial statements.

#### (b) *Standards, amendments and interpretations not applicable to the Company:*

The following standards that have been revised, issued and became effective but are not considered applicable to the Company:

- IFRS 3 Business Combinations
- IFRS 10 Consolidated Financial Statements
- IFRS 16 Leases
- IAS 12 Income Taxes
- IAS 19 Employee Benefits Employee Benefits
- IAS 23 Borrowing Costs
- IAS 28 Investments in Associates and Joint Ventures

#### (c) *New and revised IFRSs in issue but not yet effective:*

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
- Annual Improvements to IFRS (impacting IFRS 3, IFRS 7, IFRS 8, IAS 1 and IAS 8)

The directors do not expect the adoption of the above standards, amendments and interpretations that are in issue but not yet effective will have a material impact on the financial statements of the Company in future periods.

The directors have considered other standards and interpretations in issue but not effective and concluded that they would not have a material impact on the future financial periods when they become available.

### Energy Securities and Energy Contracts

#### *i) Issue and Redemption*

The Company has entered into an Energy Purchase Agreement with Shell (or the “Energy Contract Counterparty”) to permit the Company to create and cancel Energy Contracts corresponding to Energy Securities issued or redeemed on the same day. Each time an Energy Security is issued or redeemed by the Company a corresponding number and value of Energy Contracts are created or redeemed with Shell. The Energy Contracts represent financial assets of the Company and the Energy Securities give rise to financial liabilities.

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

#### *ii) Pricing*

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. This price is calculated based on the formula set out in the Prospectus, and is referred to as the ‘Contractual Value’ and is considered to be the fair value of the Energy Transactions.

## 2. Accounting Policies (continued)

### Energy Securities and Energy Contracts (continued)

#### ii) Pricing (continued)

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 Statement of Financial Position. This difference is reversed on a subsequent redemption of the Energy Securities and redemption of the corresponding Energy Contracts.

#### iii) Classification at Fair Value through Profit or Loss

Each Energy Security or Energy Contract comprises a financial instrument whose redemption price is linked to the relevant index.

The Energy Contracts are mandatorily classified as financial assets at fair value through profit or loss upon initial recognition under IFRS 9 based on the business model and contractual terms.

The Energy Securities held are classified as financial liabilities measured at fair value through profit or loss as, upon initial recognition under IFRS 9, as they are irrevocably designated by the entity as such. This is considered to result in more relevant information, as it eliminates, or significantly reduces, a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. In this case the policy applied enables gains or losses on both the Energy Securities and Energy Contracts to be recorded in the Statement of Profit or Loss and Other Comprehensive Income.

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 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 and non-GAAP movement entitled 'Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities'.

### Energy Contracts and Securities Awaiting Settlement

The issue or redemption of Energy Securities, and the purchase or sale of Energy Contracts, is accounted for on the transaction date. Where settlement pricing is applied, the transaction will not settle until two days after the transaction date. Where transactions are awaiting settlement at the year end, the monetary value of the Energy Contracts and Energy Securities due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position. The fair value of these receivables and payables is considered equivalent to their carrying value.

### Other financial assets and liabilities

Other financial assets and liabilities are non-derivative financial assets and liabilities including trade and other receivables and trade and other payables with a fixed payment amount and are not quoted in an active market. After initial measurement the other financial assets and liabilities are subsequently measured at amortised cost using the effective interest method less any allowance for expected credit losses. The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Impairment losses, including reversals of impairment losses and impairment gains, are presented in the statement of profit or loss and other comprehensive income.



**2. Accounting Policies (continued)****Reserves**

A revaluation reserve and a retained earnings reserve are maintained within equity. All profit or loss is taken to the retained earnings reserve at the end of the accounting period to which it relates and the gain or loss relating to the mis-match of accounting values is transferred to the non-distributable revaluation reserve.

**Revenue Recognition**

The Company derives its revenue from contracts with customers for the transfer services over time (in respect of management fees), and at a point in time (in respect of creation and redemption fees). Revenue is measured based on a consideration of the amount to which the Company expects to be entitled, excluding discounts, rebates, and other sales taxes or duty. All other income and expenses are recognised on an accruals basis.

*i) Management Fees*

Management fees are calculated and recognised on a daily basis by applying a fixed percentage to the contractual value of Energy Securities in issue in accordance with the terms of the securities issued. Accrued management fees are invoiced and settled on a monthly basis.

*ii) Creation and Redemption Fees*

Fees for the issue and redemption of Energy Securities are recognised at the fair value of the consideration expected to be received, on the date on which the transaction becomes legally binding. Accrued creation and redemption fees are invoiced and settled on a quarterly basis.

**Foreign Currency Translation**

The financial statements of the Company are presented in the currency in which the majority of the Energy Securities issued by the Company are denominated (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in United States Dollars, which is the functional currency of the Company, and the presentational currency of the financial statements.

Monetary assets and liabilities denominated in foreign currencies at the year end date are translated at rates ruling at that date. Creation and redemption fees are translated at the average rate for the month in which they are incurred. The resulting differences are accounted for through profit or loss.

**Segmental Reporting**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess their performance. The CODM has been determined as the board of directors. A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company has not provided segmental information as the Company has only one business or product group, oil Securities, and one geographical segment which is Europe. All information relevant to the understanding of the Company's activities is included in these financial statements. In addition the Company has no single major customer from which greater than 10% of revenue is generated.

### 3. Operating Result

Operating result for the year comprised:

|                                 | Year ended 31 December |                    |
|---------------------------------|------------------------|--------------------|
|                                 | 2019<br>USD            | 2018<br>USD        |
| Creation and Redemption Fees    | 24,670                 | 103,218            |
| Management Fees                 | 1,287,534              | 1,503,179          |
| <b>Total Revenue</b>            | <b>1,312,204</b>       | <b>1,606,397</b>   |
| ManJer Fees                     | (1,312,204)            | (1,606,397)        |
| <b>Total Operating Expenses</b> | <b>(1,312,204)</b>     | <b>(1,606,397)</b> |
| <b>Operating Result</b>         | <b>-</b>               | <b>-</b>           |

Audit Fees for the year of GBP 21,690 will be met by ManJer (2018: GBP 21,100).

### 4. Taxation

The Company is subject to Jersey Income Tax. During the year the Jersey Income Tax rate applicable to the Company is zero percent (2018: zero percent).

### 5. Trade and Other Receivables

|                               | As at 31 December |                |
|-------------------------------|-------------------|----------------|
|                               | 2019<br>USD       | 2018<br>USD    |
| Creation and Redemption Fees  | 26,892            | 15,881         |
| Management Fees               | 103,142           | 93,393         |
| Receivable from Related Party | 3,742             | 3,742          |
|                               | <b>133,776</b>    | <b>113,016</b> |

The fair value of these receivables is equal to the carrying value. The Trade and Other Receivables are due to be recovered within 12 months of the year end.

### 6. Energy Contracts

|   | As at 31 December  |                     |
|---|--------------------|---------------------|
|   | 2019<br>USD        | 2018<br>USD         |
| Net (Loss) / Gain Arising on Contractual and Fair Value of Energy Contracts | <b>72,474,904</b>  | <b>(21,805,277)</b> |
| Energy Contracts at Fair Value  | <b>258,897,595</b> | <b>239,961,492</b>  |

## 6. Energy Contracts (continued)

As at 31 December 2019, there were certain Energy Contracts awaiting settlement in respect of the creation or redemption of Energy Securities with transaction dates before the year end and settlement dates in the following year:

- The amount receivable on Energy Contracts as a result of unsettled redemptions of Energy Securities is USD 2,849,152 (2018: USD 1,411,488).
- The amount payable on Energy Contracts as a result of unsettled creations of Energy Securities is USD Nil (2018: USD 843,313).

The below reconciliation of changes in the Energy Contracts includes only non-cash changes.

|                                 | Year ended 31 December |                    |
|---------------------------------|------------------------|--------------------|
|                                 | 2019<br>USD            | 2018<br>USD        |
| <b>Opening Energy Contracts</b> | <b>239,961,492</b>     | <b>360,869,831</b> |
| Additions                       | 156,243,816            | 139,872,665        |
| Disposals                       | (208,495,083)          | (237,472,550)      |
| Management Fee                  | (1,287,534)            | (1,503,179)        |
| Change in Fair Value            | 72,474,904             | (21,805,276)       |
| <b>Closing Energy Contracts</b> | <b>258,897,595</b>     | <b>239,961,492</b> |

## 7. Energy Securities

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 net asset values ("NAV") of each class of Energy Security. Therefore, the actual contractual issue and redemption of Energy Securities occur at a price that corresponds to 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 Company measures the Energy Securities at their market value in accordance with IFRS 13 rather than their Contractual Value (as described in the Prospectus). The market value is deemed to be the prices quoted on stock exchanges or other markets where the Energy Securities are listed or traded. However Energy Contracts are valued based on the agreed formulae set out in the Prospectus.

The fair values and changes thereof during the year based on prices available on the open market as recognised in the financial statements are:

|  | As at 31 December   |                    |
|--|---------------------|--------------------|
|  | 2019<br>USD         | 2018<br>USD        |
| Net (Loss) / Gain Arising on Fair Value of Energy Securities | <b>(69,079,419)</b> | <b>15,417,898</b>  |
| Energy Securities at Fair Value                              | <b>258,884,194</b>  | <b>243,343,576</b> |

**7. Energy Securities (continued)**

The contractual redemption values and changes thereof during the year based on the contractual settlement values are:

|   | <b>As at 31 December</b> |                    |
|---|--------------------------|--------------------|
|   | <b>2019</b>              | <b>2018</b>        |
|   | <b>USD</b>               | <b>USD</b>         |
| Change in Contractual Redemption Value for the Year | <b>72,474,904</b>        | <b>21,805,277</b>  |
| Energy Securities at Contractual Redemption Value   | <b>258,897,595</b>       | <b>239,961,492</b> |

The gain or loss on the difference between the agreed 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.

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

|   | <b>Year ended 31 December</b> |                    |
|---|-------------------------------|--------------------|
|   | <b>2019</b>                   | <b>2018</b>        |
|   | <b>USD</b>                    | <b>USD</b>         |
| Net Gain / (Loss) Arising on Contractual and Fair Value of Energy Contracts | 72,474,904                    | (21,805,277)       |
| Net (Loss) / Gain Arising on Fair Value of Energy Securities                | (69,079,419)                  | 15,417,898         |
|   | <b>3,395,485</b>              | <b>(6,387,379)</b> |

As at 31 December 2019, there were certain Energy Securities awaiting settlement in respect of creations or redemptions with transaction dates before the year end and settlement dates in the following year:

- The amount receivable as a result of unsettled creations of Energy Securities is USD Nil (2018: USD 843,313).
- The amount payable as a result of unsettled redemptions of Energy Securities is USD 2,849,152 (2018: USD 1,411,488).

The below reconciliation of changes in the Energy Securities, being liabilities arising from financing activities, includes only non-cash changes.

|  | <b>Year ended 31 December</b> |                    |
|--|-------------------------------|--------------------|
|  | <b>2019</b>                   | <b>2018</b>        |
|  | <b>USD</b>                    | <b>USD</b>         |
| <b>Opening Energy Securities</b>               | <b>243,343,576</b>            | <b>361,210,739</b> |
| Additions                                      | 156,243,817                   | 139,872,667        |
| Disposals                                      | (208,495,083)                 | (237,472,550)      |
| Management Fee                                 | (1,287,535)                   | (1,503,179)        |
| Change in Fair Value                           | 69,079,419                    | (18,764,101)       |
| <b>Closing Energy Securities at Fair Value</b> | <b>258,884,194</b>            | <b>243,343,576</b> |

**8. Trade and Other Payables**

|                     | As at 31 December |         |
|---------------------|-------------------|---------|
|                     | 2019              | 2018    |
|                     | USD               | USD     |
| ManJer Fees Payable | 130,034           | 109,274 |

The fair value of these payables is equal to the carrying value. The ManJer Fee Payable is due to be settled within twelve months of the year end.

**9. Stated Capital**

|  | As at 31 December |       |
|--|-------------------|-------|
|  | 2019              | 2018  |
|  | USD               | USD   |
| 1,000 Shares of Nil Par Value, Issued at GBP 1 Each and Fully Paid | 1,742             | 1,742 |

The Company can issue an unlimited capital of nil par value shares in accordance with its Memorandum of Association.

All Shares issued by the Company carry one vote per Share without restriction and carry the right to dividends. All Shares are held by WisdomTree Holdings Jersey Limited (“HoldCo”), formerly ETFs Holdings (Jersey) Limited.

**10. Related Party Disclosures**

Entities and individuals which have significant influence over the Company, either through ownership or by virtue of being a director of the Company are considered to be related parties. In addition, entities with common ownership to the Company and entities with common directors are also considered to be related parties.

*Fees charged by ManJer during the year:*

|             | Year ended 31 December |           |
|-------------|------------------------|-----------|
|             | 2019                   | 2018      |
|             | USD                    | USD       |
| ManJer Fees | 1,312,204              | 1,606,397 |

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

|                     | Year ended 31 December |         |
|---------------------|------------------------|---------|
|                     | 2019                   | 2018    |
|                     | USD                    | USD     |
| ManJer Fees Payable | 130,034                | 109,274 |

At 31 December 2019, USD 1,742 is receivable from ManJer (2018: USD 1,742). At 31 December 2019, USD 2,000 is receivable from HoldCo (2018: USD 2,000).

As disclosed in the Directors’ Report, ManJer paid Directors’ Fees in respect of the Company of GBP 16,000 (2018: GBP 9,315).

**10. Related Party Disclosures (continued)**

Steven Ross and Hilary Jones are directors of R&H Fund Services (Jersey) Limited (“R&H” or the “Administrator”) and Steven Ross is a partner of Rawlinson & Hunter, Jersey Partnership, which wholly owns R&H. During the year, R&H charged ManJer administration fees in respect of the Company of GBP 63,370 (2018: GBP 58,074), of which GBP 16,870 (2018: GBP 15,500) was outstanding at the year end.

Gregory Barton, Peter Ziemba and Stuart Bell are executive officers of WisdomTree Investments, Inc.

**11. Financial Risk Management**

The Energy Securities are subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. There can be no assurance that any appreciation in the value of securities will occur, and the capital value of an investor’s original investment is not guaranteed. The value of investments may go down as well as up, and an investor may not get back the original amount invested.

The Company is exposed to a number of risks arising from its activities. The information provided below is not intended to be a comprehensive summary of all the risks associated with the Energy Securities and investors should refer to the most recent Prospectus for a detailed summary of the risks inherent in investing in the Energy Securities. Any data provided should not be used or interpreted as a basis for future forecast or investment performance.

The risk management policies employed by the Company to manage these are discussed below.

*(a) Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The Company’s receivables and payables are all payable on demand and generally settled on a short term basis. In addition, amounts in respect of the management fee and creation and redemption fees are transferred from the relevant counterparties directly to ManJer and there are no cash flows through the Company.

The Commodity Securities do not have a contractual maturity date and will only be redeemed at the request of the holder of the security, with the right of refusal by the Company, or in the case of a compulsory redemption. Generally, only Security Holders who have entered into an authorised participant agreement with the Company (“Authorised Participant”) can submit applications and redemptions directly with the Company.

Furthermore, there is no liquidity risk to the Company because the maturity profile of the Energy Securities and Energy Contracts is matched, therefore the Company does not have to wait for a longer-term contract to mature in order to pay its debts to ex-security holders. Furthermore, while the agreements with the Energy Contract Counterparties include limits (both daily and in the aggregate) on the creation and redemption of Energy Contracts, the Company is not obliged to issue and redeem Energy Securities in excess of those limits under the terms of the Energy Purchase Agreement.

Consequently, the Company has not presented any tabular information in respect of liquidity risk.

## 11. Financial Risk Management (continued)

### (b) Credit Risk

Credit risk primarily refers to the risk that Authorised Participants or the Energy Contract Counterparty will default on its contractual obligations resulting in financial loss. A Security holder's ability to reclaim assets is equivalent to the assets realised by the Company, therefore limiting the credit risk of the Company in connection with the issue of the Energy Securities. There are compulsory redemption provisions as outlined in the prospectus that can be triggered by the Company or the swap counterparties in certain circumstances whereby a compulsory redemption of all Energy Securities in issue would be undertaken.

The total carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. At the reporting date the Company's financial assets are detailed on the Statement of Financial Position.

Currently Shell is the only Energy Contract Counterparty. The value of Energy Securities and the ability of the Company to repay the redemption price is dependent on the receipt of such amount from Shell. The obligation of Shell under the Energy Contracts ranks only as an unsecured claim against Shell. However, those obligations are supported by a Standby Credit from Shell Treasury Dollar Company Limited. The letter of credit is not guaranteed by any other entity within the Shell Group.

The Company manages its credit risk by only entering into Energy Contracts with major oil companies or any other company which owns oil, the rights to oil or has assets linked to the oil price and has an investment grade credit rating. The Board monitors credit risk exposure to ensure the Company's exposure is managed, and has continued to do so more closely with a focus on any the potential impact of, or developments relating to the spread of COVID-19, which is fluid and rapidly changing.

### (c) Settlement Risk

Settlement risk primarily refers to the risk that an Authorised Participant or the Energy Contract Counterparty will default on its contractual obligations resulting in financial loss.

The directors believe that settlement risk would only be caused by the risk of the Company's trading counterparty not delivering cash or Energy Securities on the settlement date. The directors feel that this risk is mitigated as a result of the cash or Energy Securities settling through the CREST system. The system ensures that the transaction does not settle until both parties have fulfilled their contractual obligations.

Amounts outstanding in respect of positions yet to settle are disclosed in notes 6 and 7.

### (d) Capital Management

The primary objective of the Company's capital management policy is to ensure that it maintains sufficient resources for operational purposes. The capital being managed are the Stated Capital and Retained Earnings reserve, as presented in the Statement of Changes in Equity. The Company is not subject to any capital requirements imposed by a regulator and there were no changes in the Company's approach to capital management during the year.

The Company's principal activity is the listing and issue of Energy Securities. These Energy Securities are issued as demand requires. The Company holds a corresponding amount of Energy Contracts which matches the total liability of the Energy Securities issued. ManJer supplies or arranges the supply of all management and administration services to the Company and pays all management and administration costs of the Company, including Trustee Fees. In return for these services the Company pays ManJer a fee, which under the terms of the service agreement is equal to the aggregate of the management fee and creation and redemption fees earned.

As all Energy Securities in issue are supported by an equivalent amount of Energy Contracts held with Shell and the running costs of the Company are paid by ManJer, the directors of the Company consider the capital management and its current capital resources are adequate to maintain the ongoing listing and issue of Energy Securities.

## 11. Financial Risk Management (continued)

### (e) Market Risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Company's income or the value of its financial instruments held or issued.

#### i) Price Risk

The value of the Company's liability in respect of the Energy Securities issued fluctuates according to the oil and carbon emissions prices by reference to the futures market as quoted on the relevant futures exchanges and the risk of such change in price is managed by the Company by entering into Energy Contracts with Shell which match the liability. The Company therefore bears no financial risk from a change in the price of oil or carbon omissions by reference to the futures price. Refer to note 7 for the further details regarding fair values.

However, there is an inherent risk from the point of view of investors as the price of crude oil and carbon emissions futures contracts, and thus the value of the Energy Securities, may vary widely due to, amongst other things, changing supply or demand for oil, government and monetary policy or intervention and global or regional political, economic or financial events.

#### Coronavirus disease (COVID-19)

On 11 March 2020, the Director-General of the World Health Organisation ("WHO") announced that the WHO had assessed the worldwide outbreak of COVID-19 as a pandemic. National governments and supranational organisations in multiple states have taken steps designed to protect their populations from COVID-19, including requiring or encouraging home working, the cancellation of sporting, cultural and other events and restricting or discouraging gatherings of people.

COVID-19 has created market turmoil and increased market volatility generally. The steps outlined above, and public sentiment, may affect both the volatility and prices of commodities and hence the prices of the Securities, and such effects may be significant and may be long-term in nature.

The directors have been closely monitoring the advice and developments relating to the spread of COVID-19, which is fluid and rapidly changing.

The market price of Energy Securities was a function of supply and demand amongst investors wishing to buy and sell Energy Securities and the bid or offer spread that the market makers were willing to quote. This is highlighted in note 7, and below under the Fair Value Hierarchy.

#### ii) Interest Rate Risk

The pricing of the Energy Contracts or the Energy Securities takes into account the incremental capital enhancement component of the Energy Security, which includes the impact of interest rates. This incremental capital enhancement component of the Energy Contracts and Energy Securities is attributable to the security holder. As a result the Company does not have significant exposure to interest rate risk.

#### iii) Currency Risk

The directors do not consider the Company to have a significant exposure to currency risk arising from the current economic uncertainties facing a number of countries around the world as the gains or losses on the liability represented by the Energy Securities are matched economically by corresponding losses or gains attributable to the Energy Contracts.

### (f) Sensitivity Analysis

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the Company is exposed to at the reporting date, showing how profit or loss and equity would have been affected by a reasonably possible change to the relevant risk variable.

The Company's rights and liability in respect of Energy Contracts and Energy Securities, respectively, relates to its contractual obligations to issue and redeem Energy Securities at set prices on each trading day. As a result the Company's contractual and economic liability in connection with the issue of Energy Securities is matched by movements in corresponding Energy Contracts. Consequently, the Company does not have any net exposure to market price risk. Therefore, in the directors' opinion, no sensitivity analysis is required to be disclosed.



**11. Financial Risk Management (continued)**

*(g) Fair Value Hierarchy*

The levels in the hierarchy are defined as follows:

- Level 1 fair value based on quoted prices in active markets for identical assets.
- Level 2 fair values based on valuation techniques using observable inputs other than quoted prices.
- 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. Where the market on which the Energy Securities prices are quoted is determined to be active at the relevant reporting date, the Energy Securities are classified as Level 1 financial liabilities. Where the market on which the Energy Securities prices are quoted is determined to be inactive at the relevant reporting date, the Energy Securities are classified as level 2 financial liabilities. The Company values the Level 2 Energy Securities using the unadjusted market price available at each reporting date. This is considered to most appropriately reflect the price at which transactions would occur as at the reporting date.

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:

|                   | <b>Fair Value as at 31 December</b> |                      |
|-------------------|-------------------------------------|----------------------|
|                   | <b>2019</b>                         | <b>2018</b>          |
|                   | <b>USD</b>                          | <b>USD</b>           |
|                   | <hr/>                               |                      |
| <b>Level 1</b>    |                                     |                      |
| Energy Securities | <b>(254,195,473)</b>                | <b>(243,343,576)</b> |
|                   | <hr/>                               |                      |
| <b>Level 2</b>    |                                     |                      |
| Energy Securities | (4,688,721)                         | -                    |
| Energy Contracts  | 258,897,595                         | 239,961,492          |
|                   | <b>254,208,874</b>                  | <b>239,961,492</b>   |
|                   | <hr/>                               |                      |

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. Transfers between levels would be recognised if there was a change in the accounting policies adopted, or should there be changes in circumstances that prevented public information in respect of Level 1 inputs from being available. Any such transfers would be recognised on the date of the change in circumstances that cause the transfer. Transfers between levels may also be recognised if the primary market on which the Energy Securities prices are quoted was determined to be inactive at the relevant reporting date. The Company considers both the last trade date and trading volumes during the 5 trading days leading up to each reporting date to determine if the market for a particular Energy Security is active. Transfers as a result of the analysis of the activity levels of the market are identified and recognised at each reporting date.

There were no transfers or reclassifications between Level 1 and Level 2 for any of the assets during the year or at the reporting date. As at 31 December 2019 Energy Securities with a fair value of \$4,688,721 were transferred from Level 1 to Level 2 as a result of the reassessment of market activity levels for Energy Securities in issue.

## 12. Ultimate Controlling Party

In accordance with the disclosure requirements of IFRS the directors have determined that no entity meets the definition of immediate parent or ultimate controlling party. The holder of issued equity shares is HoldCo, a Jersey registered company. WisdomTree Investments, Inc is the ultimate controlling party of HoldCo.

The value of the Energy Contracts backing the Energy Securities is wholly attributable to the holders of the Energy Securities.

## 13. Events Occurring After the Reporting Period

On 11 March 2020, the WHO assessed the worldwide outbreak of COVID-19 as a pandemic. COVID-19 has created market turmoil and increased market volatility generally. In particular, as a result of the market turmoil, on 20 April 2020 the price of Crude Oil WTI futures traded at negative prices.

The Company had in issue eight classes of the Energy Securities that referenced Crude Oil futures, and four of those referenced Crude Oil WTI futures.

Following an analysis of the potential impact of the price of Crude Oil futures, the Company decided that a significant increase in the number of relevant Energy Securities in issue may impact on the Counterparty's ability to hedge the exposure under the relevant Energy Contracts in such particularly volatile markets. Having regard to the interests of existing Security Holders in the relevant Energy Securities, rather than potential future Security Holders, a decision was made to focus the attention of the Counterparty on providing (and hedging) the current exposures rather than taking on additional exposures.

As a result, on 12 May 2020 the Company released an announcement to the Stock Exchanges that with effect from 2.30pm (London) the Company would no longer accept applications from Authorised Participants for new Energy Securities of the following classes:

- WisdomTree Brent Crude Oil 1mth (Ticker: OILB, ISIN: GB00B0CTWC01);
- WisdomTree Brent Crude Oil 1yr (Ticker: OSB1, ISIN: JE00B1YN4R61);
- WisdomTree Brent Crude Oil 2yr (Ticker: OSB2, ISIN: JE00B1YNWG12);
- WisdomTree Brent Crude Oil 3yr (Ticker: OSB3, ISIN: JE00B1YP7409);
- WisdomTree WTI Crude Oil 1yr (Ticker: OSW1, ISIN: JE00B1YPB605);
- WisdomTree WTI Crude Oil 2mth (Ticker: OILW, ISIN: GB00B0CTWK84);
- WisdomTree WTI Crude Oil 2yr (Ticker: OSW2, ISIN: JE00B1YPB712); and
- WisdomTree WTI Crude Oil 3yr (Ticker: OSW3, ISIN: JE00B1YPB936).

On 18 May 2020 the Company released an announcement to the Stock Exchanges that with effect from 2.30pm (London) the Company would no longer accept applications from Authorised Participants for new Energy Securities of the following class:

- WisdomTree Carbon (Ticker: CARB, ISIN: JE00B3CG6315).

On 20 May 2020 the Company released an announcement to the Stock Exchanges that Shell had served notice on the Company to terminate the Energy Purchase Agreement and as a result the Company subsequently issued a Compulsory Redemption notice in respect of all classes of Energy Securities on 22 June 2020 (the "Compulsory Redemption Date").

All Energy Securities redeemed on the Compulsory Redemption Date will be the Redemption Price. A further announcement will be made following the Compulsory Redemption Date to confirm the final Redemption Price, which will be calculated in accordance with the provisions for a Compulsory Redemption set out in the Prospectus. The payment in respect of the Compulsory Redemption proceeds of each class of Energy Securities was made between 3 July 2020 and 6 July 2020, in US Dollars in the case of Oil Securities and in Euros in the case of Carbon Securities.

**13. Events Occurring After the Reporting Period (continued)**

Security Holders were not required to hold their Energy Securities until the Compulsory Redemption Date, and were able to redeem their Energy Securities prior to and on the last day of trading on European exchanges for Energy Securities, as follows:

- For all Security Holders on the register and underlying investors (“End Investors”), the last day of trading on European exchanges for Energy Securities was 10 June 2020.
- For Authorised Participants that have entered into Authorised Participant Agreements with the Company, Redemption Notices received (or deemed received) prior to 2.30pm London time (or 1.00pm in respect of WisdomTree Carbon) on 16 June 2020 were considered valid and processed in the normal way.

As described in note 11, the market price of Energy Securities is a function of supply and demand amongst investors wishing to buy and sell Energy Securities and the bid-offer spread that the market makers are willing to quote. The action taken by the Company directly impacted the supply of those Energy Securities and therefore may have had an impact on the market price prior to the Compulsory Redemption Date. The impact of COVID-19 is considered a non-adjusting event in accordance with IAS 10 Events after the Reporting Period.

The number of Energy Securities and their Compulsory Redemption proceeds were as shown below:

|                                 | As at Compulsory<br>Redemption Date |                    | As at 31 December 2019 |                    |
|---------------------------------|-------------------------------------|--------------------|------------------------|--------------------|
|                                 | Securities<br>Redeemed              | Value<br>USD       | Securities<br>In Issue | Fair Value<br>USD  |
| WisdomTree Brent Crude Oil 1mth | 14,704,449                          | 274,640,283        | 6,471,108              | 208,369,678        |
| WisdomTree Brent Crude Oil 1yr  | 63,491                              | 2,465,061          | 55,449                 | 3,018,366          |
| WisdomTree Brent Crude Oil 2yr  | 7,234                               | 323,721            | 851                    | 48,750             |
| WisdomTree Brent Crude Oil 3yr  | 20,361                              | 920,976            | 25,175                 | 1,381,478          |
| WisdomTree WTI Crude Oil 1yr    | 1,987,211                           | 24,269,747         | 901,086                | 19,170,605         |
| WisdomTree WTI Crude Oil 2mth   | 33,258                              | 1,227,102          | 13,096                 | 668,944            |
| WisdomTree WTI Crude Oil 2yr    | 9,995                               | 410,981            | 595                    | 31,059             |
| WisdomTree WTI Crude Oil 3yr    | 4,258                               | 173,122            | 4,258                  | 209,068            |
| WisdomTree Carbon               | 416,077                             | 6,994,634          | 1,357,520              | 25,986,247         |
|                                 |                                     | <b>311,425,627</b> |                        | <b>258,884,194</b> |

No other significant events have occurred since the end of the reporting period up to the date of signing the Financial Statements which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2019 or on the results and cash flows of the Company for the year ended on that date.

The intelligent  
alternative.