



# **ETFS OIL SECURITIES LIMITED**

**Registered No: 88371**

**Report and Financial Statements for the  
Year ended 31 December 2014**



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**Directors**

Graham J Tuckwell – Chairman  
Graeme D Ross  
Mark K Weeks  
Joseph L Roxburgh

**Registered Office**

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

**Manager**

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

**Auditor**

Deloitte LLP  
44 Esplanade  
St Helier  
Jersey, JE4 8WA

**Jersey Legal Advisers**

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

**Administrator and Company Secretary**

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

**DIRECTORS' REPORT**

The directors of ETFS Oil Securities Limited (“OSL” or the “Company”) submit herewith the annual report and financial statements of the Company for the year ended 31 December 2014.

**Directors**

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

- Graham J Tuckwell - Chairman
- Graeme D Ross
- Joseph L Roxburgh
- Mark K Weeks

**Directors' Interests**

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

<b><i>Director</i></b>	<b><u>Ordinary Shares of Nil Par Value</u></b>
Graham J Tuckwell (as controlling party of ETF Securities Limited (“ETFSL”), the ultimate parent company)	1,000

**Principal Activities**

The Company's principal activity is the issue and listing of energy securities (“Energy Securities”). The Company earns Management Fees based upon the number of Energy Securities in issue. These Fees are expressed as an annual percentage, calculated on a daily basis and reflected in the net asset value (“NAV”) of the Securities and paid monthly in arrears.

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

Energy Securities are backed by energy contracts (“Energy Contracts”) with terms corresponding to the terms of Energy Securities. Each time Energy Securities are issued or redeemed, corresponding Energy Contracts between the Company and the Energy Contract Counterparty are created or cancelled 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 is required of the Company.

The Company has entered into a service agreement with ETFS Management Company (Jersey) Limited (“ManJer”), 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 Securities. In return for these services, the Company pays ManJer an amount equal to the Management Fee and the Creation and Redemption Fees earned. As a result, amounts in respect of the Management Fee and Creation and Redemption Fees are transferred directly to ManJer and there are no cash flows through the Company.



**Review of Operations**

The most recent rollover prospectus was issued on 28 August 2014. During the year, the Company had the following number of classes, in aggregate, of Energy Securities in issue and admitted to trading on the following exchanges:

Security	London Stock Exchange	Borsa Italiana	Deutsche Börse	NYSE-Euronext Paris	Bolsa Mexicana de Valores
Brent Energy Securities	4	1	1	1	1
WTI Energy Securities	4	1	1	1	-
Carbon Energy Securities	1	-	-	-	-
Total Energy Securities	9	2	2	2	1

As at 31 December 2014, the fair value of assets under management amounted to USD 231.1 million (2013: USD 394.2 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:

	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	42,536	35,085
Management Fees	1,750,114	2,031,625
Total Fee Income	<u>1,792,650</u>	<u>2,066,710</u>

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 (2013: 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 trade Energy Contracts at set prices on each trading day. These prices are based on an agreed formula published in the prospectus, and are equal to the published net asset value ("NAV") of each class of Energy Securities.

IFRS 13 requires the Company to utilise the available market price for the Energy Securities as quoted on the open market. As a result of the difference in valuation methodology between Energy Contracts and Energy Securities there is a mis-match between accounting values, and the results of the Company reflect a gain or loss on the difference between the agreed formula price of the Energy Contracts and the market price of Energy Securities. This gain or loss would be reversed on a subsequent redemption of the Energy Securities and cancellation of the corresponding Energy Contracts. This is presented in more details in note 7 to 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 the redemption of Energy Securities will always coincide with the redemption of an equal amount of Energy Contracts, no liquidity risk is considered to arise. All other liabilities of the Company are met by ManJer; therefore the directors consider the Company to be a going concern.



**Future Developments**

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

**Risk Management**

Each Energy Security is a debt instrument whose redemption price is linked to the performance of the relevant underlying index. The Energy Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the Energy Contracts and not to the Company. In addition, since any such price movements are wholly attributable to the Energy Security holders, the Company has 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 are matched economically by corresponding losses or gains attributable to the Energy Contracts (see detail above 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 contract, and thus the value of the Energy Securities, may vary widely which could have an impact on the demand for the Energy Securities issued by the Company. These movements are shown in notes 6 and 7.

The Company’s exposure to risk is discussed in note 11 to the financial statements.

**Dividends**

There were no dividends declared or paid in the year (2013: 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.

**Employees**

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

**Directors’ Remuneration**

No director has a service contract with the Company and details of the directors’ remuneration which has been paid by ManJer on behalf of the Company for the year is disclosed below.

	2014 Fees GBP	2013 Fees GBP
Graham J Tuckwell	Nil	Nil
Graeme D Ross	7,500	7,500
Craig A Stewart <sup>1</sup>	Nil	3,750
Joseph L Roxburgh	Nil	Nil
Mark K Weeks <sup>1</sup>	Nil	Nil

<sup>1</sup> Craig A Stewart resigned and Mark K Weeks was appointed on 21 June 2013.

**Auditor**

A resolution to reappoint Deloitte LLP as the auditor of the Company will be proposed at the next meeting of the directors.

**Corporate Governance**

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

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

The constitution of the board is disclosed above. The directors are either members of the board of the ultimate parent company, ETFSL, employees within the ETFSL group or members of the board of the Company's Administrator, R&H Fund Services (Jersey) Limited, and will continue to have such a composition of directors beyond the next meeting of the directors.

The board of directors meets regularly to consider matters specifically reserved for its review. Further meetings will be held as required by the operations of the Company.

**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 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, V and Z of Fund Services Business. ManJer outsources the administration services in respect of the Company to R&H Fund Services (Jersey) Limited ("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 based 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.

**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.

A handwritten signature in blue ink, appearing to read 'Joseph L Roxburgh'.**Joseph L Roxburgh**

Director

Jersey

1 April 2015

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

A handwritten signature in blue ink, appearing to read 'Joseph L Roxburgh'.

**Joseph L Roxburgh**  
Director

1 April 2015

**INDEPENDENT AUDITOR'S REPORT**

We have audited the financial statements of ETF S Oil Securities Limited for the year ended 31 December 2014 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 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its gain for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

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

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in blue ink, appearing to read 'Andrew Isham'.

**Andrew Isham, BA, FCA**

For and on behalf of Deloitte LLP  
Chartered Accountants and Recognized Auditor  
St. Helier, Jersey  
1 April 2015



	Note	Year ended 31 December	
		2014 USD	2013 USD
<b>Revenue</b>	3	1,792,650	2,066,710
<b>Expenses</b>	3	(1,792,650)	(2,066,710)
<b>Operating Result</b>	3	-	-
Net (Loss)/Gain Arising on Contractual and Fair Value of Energy Contracts	6	(225,750,590)	21,350,036
Net Gain/(Loss) Arising on Fair Value of Energy Securities	7	230,767,593	(21,830,364)
<b>Result and Total Comprehensive Income for the Year</b>		<u>5,017,003</u>	<u>(480,328)</u>
<sup>1</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Energy Securities	2	(5,017,003)	480,328
<b>Adjusted Result and Total Comprehensive Income for the Year</b>	7	<u>-</u>	<u>-</u>

The directors consider the Company's activities as continuing.

<sup>1</sup> The definition of non-statutory adjustments is set out on page 14. This represents the movement in the difference between the agreed formula price of the Energy Contracts and the market price of Energy Securities.

The notes on pages 12 to 21 form part of these financial statements

	Note	As at 31 December	
		2014 USD	2013 USD
<b>Current Assets</b>			
Trade and Other Receivables	5	160,335	185,859
Amounts Receivable on Energy Contracts Awaiting Settlement	6	5,935,825	-
Energy Contracts	6	231,112,836	394,248,169
<b>Total Assets</b>		<u>237,208,996</u>	<u>394,434,028</u>
<b>Current Liabilities</b>			
Energy Securities	7	226,576,161	394,728,496
Amounts Payable on Securities Awaiting Settlement	7	5,935,825	-
Trade and Other Payables	8	156,594	182,118
<b>Total Liabilities</b>		<u>232,668,579</u>	<u>394,910,614</u>
<b>Equity</b>			
Stated Capital	9	1,742	1,742
Retained Profits		2,000	2,000
Revaluation Reserve		4,536,675	(480,328)
<b>Total Equity</b>		<u>4,540,417</u>	<u>(476,586)</u>
<b>Total Equity and Liabilities</b>		<u>237,208,996</u>	<u>394,434,028</u>

The financial statements on pages 8 to 21 were approved by the board of directors and signed on its behalf on 1 April 2015.



**Joseph L Roxburgh**  
Director

	Year ended 31 December	
	2014 USD	2013 USD
<b>Operating Result for the Year</b>	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Decrease in Receivables	25,524	18,056
Decrease in Payables	(25,524)	(18,056)
Cash Generated from Operations	-	-
<i>Cash Flows from Financing Activities</i>		
Dividends Paid	-	-
Net Cash Used in Financing Activities	-	-
<b>Net Increase in Cash and Cash Equivalents</b>	-	-
Cash and Cash Equivalents at the Beginning of the Year	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Year	-	-

Energy Securities are issued or redeemed by receipt/transfer of Energy Contracts and has been netted off in the Statement of Cash Flows.



	Note	Stated Capital USD	Retained Earnings USD	Revaluation Reserve <sup>2</sup> USD	Total Equity USD	Adjusted Total Equity USD
Opening Balance at 1 January 2013		1,742	2,000	-	3,742	3,742
Result and Total Comprehensive Income for the Year		-	(480,328)	-	(480,328)	(480,328)
Transfer to Revaluation Reserve	7	-	480,328	(480,328)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Energy Securities	7	-	-	-	-	480,328
Balance at 31 December 2013		<u>1,742</u>	<u>2,000</u>	<u>(480,328)</u>	<u>(476,586)</u>	<u>3,742</u>
Opening Balance at 1 January 2014		1,742	2,000	(480,328)	(476,586)	3,742
Result and Total Comprehensive Income for the Year		-	5,017,003	-	5,017,003	5,017,003
Transfer to Revaluation Reserve	7	-	(5,017,003)	5,017,003	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Energy Securities	7	-	-	-	-	(5,017,003)
Balance at 31 December 2014		<u>1,742</u>	<u>2,000</u>	<u>4,536,675</u>	<u>4,540,417</u>	<u>3,742</u>

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

<sup>3</sup> The definition of non-statutory adjustments is set out on page 14.

The notes on pages 12 to 21 form part of these financial statements

## **1. General Information**

ETFs Oil Securities Limited (the “Company”) is a company incorporated in Jersey. The address of the registered office is Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW.

The ETF Securities Group, of which the Company is a part, specialises in the development and issuance of Exchange Traded Products (“ETPs”). ETPs are transparent securities designed to track the value (before fees and expenses) of the underlying commodity, index or currency while providing market liquidity for the investor.

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

ETPs typically are not 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 to the underlying assets from a third party which fully hedges the exposure of the Company.

The Company is entitled to:

- (1) a Management Fee which is calculated by applying a fixed percentage to the contractual value of Securities in issue on a daily basis; and
- (2) Creation and Redemption Fees on the issue and redemption of the securities.

No Creation or Redemption Fees are payable when investors trade in the Securities on a listed market such as the London Stock Exchange.

The Company has entered into a service agreement with ETFs Management Company (Jersey) Limited (“ManJer”), 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 Securities. In return for these services, the Company pays ManJer an amount equal to the Management Fees and the Creation and Redemption Fees earned. 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.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these financial statements is in respect of the valuation of Energy Contracts and Energy Securities held at fair value through profit or loss as disclosed in notes 6 and 7. Actual results could vary from these estimates.

## 2. Accounting Policies (continued)

### Accounting Standards

(a) *Standards, amendments and interpretations effective on 1 January 2014:*

There are no new and revised Standards and Interpretations relevant to the Company that have been adopted in the current year to affect these financial statements. Details of other Standards and Interpretations adopted that have had no effect on these financial statements are set out in section (b).

(b) *Standards, amendments and interpretations effective on 1 January 2014 but not relevant to the Company during the period:*

- Amendments to IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 21 Levies

(c) *Standards, amendments and interpretations that are in issue but not yet effective:*

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

- IFRS 9 Financial Instruments (as amended in 2009)
- IFRS 9 Financial Instruments (as amended in 2010)
- IFRS 9 Financial Instruments (as amended in 2013) (hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
- IFRS 9 Financial Instruments (as amended in 2014) (effective for annual periods beginning on or after 1 January 2018)
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) (effective for annual periods beginning on or after 1 January 2016, and applicable only to prospective sale or contribution of assets)
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2016, and applicable only to prospective acquisitions in which the activities of the joint operations constitute businesses, as defined in IFRS 3)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (effective for annual periods beginning on or after 1 January 2016)
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (effective for annual periods beginning on or after 1 January 2016)
- IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 July 2014)
- IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRS (effective for annual periods beginning on or after 1 July 2014)
- Annual Improvements to IFRS (effective for annual periods beginning on or after 1 July 2016)

The directors intend to adopt IFRS 9 for the annual period beginning on 1 January 2018, and whilst the directors anticipate that these amendments may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, a detailed analysis has not been undertaken.

The directors do not expect the adoption of the remaining standards, amendments and interpretations that are in issue but not yet effective listed above 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.



## 2. Accounting Policies (continued)

### 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 the redemption of Energy Securities will always coincide with the redemption of an equal amount of Energy Contracts, no liquidity risk is considered to arise. All other liabilities of the Company are met by ManJer; therefore the directors consider the Company to be a going concern for the foreseeable future and have prepared the financial statements on this basis.

### Energy Securities and Energy Contracts

#### i) Issuance and Redemption

The Company has entered into Energy Purchase Agreements with Shell Trading Switzerland A.G. ("Shell") to permit the Company to purchase and redeem 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 purchased or redeemed from Shell. The Energy Contracts represent financial assets of the Company and the Energy Securities give rise to financial liabilities.

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

#### 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 forward contracts to which they relate. Each class of Energy Contract has different characteristics as it looks at different forward periods.

IFRS 13 requires the Company to utilise the available market price of the Energy Securities as those Energy Securities are quoted on the open market. The Energy Securities are priced using the mid-market price on the statement of financial position date taken just before the final close of the market.

Consequently a difference arises between the value of Energy Contracts (based on the agreed formula price) 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 cancellation of the corresponding Energy Contracts.

#### iii) Designation 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.

These instruments are designated as at fair value through the profit or loss upon initial recognition. This is in order to enable 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 agreed formula value of the Energy Contracts and the market price of Energy Securities. This gain or loss is transferred to a Revaluation Reserve which is non-distributable. The results of the Company are adjusted through the presentation of a non-statutory movement entitled 'Adjustment from Market Value to Contractual Formula Price (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 trade date ("T"). Where settlement pricing is applied, the trade will not settle until T+2 (changed from T+3 on 6 October 2014) (2013: T+3). Where trades are awaiting settlement at the year end, the monetary amount due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position.

**2. Accounting Policies (continued)**

**Loans and Receivables**

The loans and receivables are non-derivative financial assets with a fixed payment amount and are not quoted in an active market. After initial measurement the loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. 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. Gains and losses on loans and receivables which are impaired are recognised immediately through profit or loss.

**Revenue Recognition**

Revenue is recognised to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Fees received for the issue and redemption of Securities are recognised at the date on which the transaction becomes legally binding. All other income and expenses are recognised on an accruals basis.

**Foreign Currency Translation**

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (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 quarter in which they are incurred. The resulting differences are accounted for through profit or loss.

**Segmental Reporting**

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 UK and Europe. All information relevant to the understanding of the Company’s activities is included in these financial statements.

**3. Operating Result**

Operating result for the year comprised:

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	42,536	35,085
Management Fees	1,750,114	2,031,625
<b>Total Revenue</b>	<b>1,792,650</b>	<b>2,066,710</b>
Management Fees to ManJer	(1,792,650)	(2,066,710)
<b>Total Operating Expenses</b>	<b>(1,792,650)</b>	<b>(2,066,710)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

Audit Fees for the year of GBP 21,700 will be met by ManJer (2013: GBP 21,000).

**4. Taxation**

The Company is subject to Jersey Income Tax. The Jersey Income Tax rate for the foreseeable future is zero percent.

**5. Trade and Other Receivables**

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	57,690	24,016
Management Fees	100,903	160,101
Amount Receivable on Stated Capital	1,742	1,742
	<u>160,335</u>	<u>185,859</u>

The fair value of these receivables is equal to the carrying value.

**6. Energy Contracts**

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
Change in Fair Value for the Year	<u>(225,750,590)</u>	<u>21,350,036</u>
Energy Contracts at Market Fair Value	<u>231,112,836</u>	<u>394,248,169</u>

As at 31 December 2014, there were certain Energy Contracts awaiting the creation or redemption of Securities with trade dates before the year end and settlement dates in the following year:

- The amount receivable as a result of unsettled creations of Energy Contracts is USD 5,935,825 (2013: USD Nil); and
- the amount payable as a result of unsettled redemptions of Energy Contracts is USD Nil (2013: USD Nil).

**7. Energy Securities**

Whilst the Energy Securities are quoted on the open market, the Company's liability relates to its contractual obligations to trade 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 transferable value in accordance with IFRS 13 rather than their settlement value as described in the prospectus. The transferable 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 formula (which corresponds to the published NAVs of each class of Energy Security).

**7. Energy Securities (continued)**

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

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
Change in Fair Value for the Year	230,767,593	(21,830,364)
Energy Securities at Market Fair Value	226,576,161	394,728,496

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

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
Change in Fair Value for the Year	225,750,590	(21,350,036)
Energy Securities at Contractual Redemption Value	231,112,836	394,248,169

The gain or loss on the difference between the agreed formula price of the Energy Contracts and the market price of Energy Securities would be reversed on a subsequent redemption of the Energy Securities and cancellation of the corresponding Energy Contracts.

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

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
Net (Loss)/Gain Arising on Contractual and Fair Value of Energy Contracts	(225,750,590)	21,350,036
Net Gain/(Loss) Arising on Fair Value of Energy Securities	230,767,593	(21,830,364)
	<u>5,017,003</u>	<u>(480,328)</u>

As at 31 December 2014, there were certain Energy Securities awaiting creation or redemption with trade dates before the year end and settlement dates in the following year:

- The amount receivable as a result of unsettled redemptions of Energy Securities is USD Nil (2013: USD Nil); and
- The amount payable as a result of unsettled creations of Energy Securities is USD 5,935,825 (2013: USD Nil).



**8. Trade and Other Payables**

	As at 31 December	
	2014	2013
	USD	USD
Management Fees Payable to ManJer	156,594	182,118

The fair value of these payables is equal to the carrying value.

**9. Stated Capital**

	As at 31 December	
	2014	2013
	USD	USD
1,000 Shares of Nil Par Value, Issued at GBP 1 Each	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 ETFs Holdings (Jersey) Limited ("HoldCo").

**10. Related Party Disclosures**

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

*Management Fees paid to ManJer during the year:*

	Year ended 31 December	
	2014	2013
	USD	USD
Management Fees	1,792,651	2,066,710

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

	As at 31 December	
	2014	2013
	USD	USD
Management Fees Payable	156,594	182,118

As disclosed in the Directors' Report, ManJer paid Directors' Fees in respect of the Company of GBP 7,500 (2013: GBP 11,250).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the year, R&H charged ManJer Secretarial and Administration Fees in respect of the Company of GBP 24,000 (2013: GBP 21,500), of which GBP 6,000 (2013: GBP 5,375) was outstanding at the year end.

Craig A Stewart and Joseph L Roxburgh are directors of ManJer.

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



## 11. Financial Risk Management

The 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 Securities and investors should refer to the prospectus (as amended) for a detailed summary of the risks inherent in investing in the 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) Credit Risk

The value of Energy Securities and the ability of the Company to repay the redemption price is dependent on the receipt of such amount from Shell and may be affected by the credit rating attached to Shell.

The obligation of Shell under the Energy Contracts ranks only as an unsecured claim against Shell. However, those obligations are supported by a Standby Credit from Shell Treasury Dollar Company Limited. The 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 risk is further mitigated by the fact that the Company has certain choices if the credit rating of Shell or another major oil company falls below certain levels. If Shell's long term senior debt credit rating falls below A+ from Standard and Poor's or A1 from Moody's then the Company may, on redemption of Energy Securities, elect to redeem any matching Energy Contracts of Shell.

### (b) Liquidity Risk

Generally 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.

### (c) Settlement Risk

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

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

### (d) Capital Management

The Company's principal activity is the listing and issue of Energy Securities. These Securities are issued as demand requires. The Company holds a corresponding amount of Energy Contracts which matches the total 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 Management Fee and Creation and Redemption Fees earned. 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.

As all Energy Securities on issue are supported by an equivalent amount of Energy Contracts held by Shell and the running costs of the Company were paid by 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

#### i) Price Risk

The Company's liability in respect of the Energy Securities issued is related to the oil and carbon emissions prices by reference to the futures market as quoted on the relevant futures Exchanges and is managed by the Company by entering into Energy Contracts with Shell which match the liability created by the issue of Energy Securities. The Company therefore bears no financial risk from a change in the price of oil 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, 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.

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

#### ii) Interest Rate Risk

The Company does not have significant exposure to interest rate risk as neither the Energy Contracts or the Energy Securities bear any interest.

#### 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 entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by a reasonably possible change to the relevant risk variable.

The Company's rights and liability in respect of Energy Contracts and Energy Securities, respectively, relates to its contractual obligations to trade 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.

### (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 within level 1.
- Level 3 – fair values based on valuation techniques using inputs that are not based on observable market data.

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

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

*(g) Fair Value Hierarchy (continued)*

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

The Company's rights in respect of Energy Contracts relates to its contractual obligations to trade at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAV's of each class of Energy Security. Therefore, Energy 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</b>	
	<b>2014</b>	<b>2013</b>
	<b>USD</b>	<b>USD</b>
<b>Level 1</b>		
Energy Securities	(226,576,161)	(394,728,496)
<b>Level 2</b>		
Energy Contracts	231,112,836	394,248,169

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

**12. Ultimate Controlling Party**

The immediate parent company is HoldCo, a Jersey registered company. The ultimate controlling party is Graham J Tuckwell through his majority shareholding in ETFSL. ETFSL is the parent company of HoldCo.

