



# ETFS Oil Securities Limited

Registered No: 88371

Report and Financial Statements for the  
Year ended 31 December 2017

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**Directors**

Gregory Barton  
Christopher Foulds  
Steven Ross  
Peter Ziemba

**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**

KPMG Channel Islands Limited  
37 Esplanade  
St Helier  
Jersey, JE4 8WQ

**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 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 2017.

### Directors

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

|                    |                           |
|--------------------|---------------------------|
| Gregory Barton     | (Appointed 11 April 2018) |
| Christopher Foulds |                           |
| Steven Ross        |                           |
| Joseph Roxburgh    | (Resigned 11 April 2018)  |
| Graham Tuckwell    | (Resigned 11 April 2018)  |
| Peter Ziembra      | (Appointed 11 April 2018) |

### Directors' Interests

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

Prior to the change in ownership (described below) Graham Tuckwell held an interest in the Ordinary Shares of the Company as the majority shareholder of ETF Securities Limited.

### Principal Activities

The Company's principal activity is 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 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 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 is required of the Company.

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 Energy Securities and paid monthly in arrears.

The Company has entered into a service agreement with ETFS Management Company (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 aggregate of the management fee and the creation and redemption fees (the “ManJer Fee”). 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 Prospectus was issued on 27 June 2017. As at 31 December 2017, 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 de<br>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 2017, the fair value of assets under management amounted to USD 360.9 million (2016: USD 416.7 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:

|                              | 2017<br>USD | 2016<br>USD |
|------------------------------|-------------|-------------|
| Creation and Redemption Fees | 53,611      | 119,845     |
| Management Fees              | 1,998,777   | 2,109,723   |
| Total Fee Income             | 2,052,388   | 2,229,568   |

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 (2016: 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 are listed to be the principal market and as a result the fair value of the Energy Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. As a result of the difference in valuation methodology between Energy Contracts and Energy Securities there is a mis-match between accounting values, and the results of the Company reflect a gain or loss on the difference between the Contractual Value of the Energy Contracts and the market price of Energy Securities. This gain or loss would be reversed on a subsequent redemption of the Energy Securities and redemption of the corresponding Energy Contracts. This is presented in more detail in note 7 to these financial statements. The Company's exposure to risk is discussed in note 11 to the 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 expenses of the Company are met by ManJer; therefore the directors consider the Company to be a going concern.

## Going Concern (continued)

On 13 November 2017, the Company announced that WisdomTree Investments, Inc (“WisdomTree”) (an exchange-traded product sponsor and asset manager) entered into an agreement to acquire ETF Securities Limited’s European exchange-traded product business as a going concern, which includes the Company. The Company continues as a going concern following completion of the acquisition on 11 April 2018.

## Future Developments

### *Referendum of the United Kingdom's (“UK’s”) membership of the European Union (the “EU Referendum”)*

The EU Referendum took place on 23 June 2016 and resulted in an overall vote to leave the European Union (“EU”). The British government invoked Article 50 of the Lisbon Treaty on 29 March 2017 which started the two-year period during which a leaving agreement is to be negotiated setting out the arrangements for the withdrawal and outlining the UK’s future relationship with the EU. The exact process for the UK’s withdrawal is uncertain, although it is generally expected to take longer than two years as this would require the renegotiation of treaties and agreements, together with legislation changes.

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

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

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

### *Change of Ownership*

On 13 November 2017, the Company announced that WisdomTree entered into an agreement to acquire ETF Securities Limited’s European exchange-traded product business, which includes the Company. The change of ownership occurred on 11 April 2018.

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.

## Risk Management

Each Energy Security is a debt instrument whose redemption price is linked to the performance of the underlying futures contracts. The Energy Securities are 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 hold 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 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 an impact on the demand for the Energy Securities issued by the Company. These movements are shown in notes 6 and 7.

## Dividends

There were no dividends declared or paid in the year (2016: 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. The directors of the Company who are employees within the ETF Securities Limited group or within the WisdomTree group do not receive separate remuneration in their capacity as directors of the Company. R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") receives a fee in respect of the directors of the Company who are employees of R&H.

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

|                    | <b>2017</b> | <b>2016</b> |
|--------------------|-------------|-------------|
|                    | <b>GBP</b>  | <b>GBP</b>  |
| Graham Tuckwell    | Nil         | Nil         |
| Christopher Foulds | Nil         | Nil         |
| Graeme Ross        | Nil         | 7,500       |
| Steven Ross        | 8,000       | 500         |
| Joseph Roxburgh    | Nil         | Nil         |

Gregory Barton and Peter Ziemba were not directors of the Company during the years ending 31 December 2017 and 2016, and therefore have been excluded from the table above.

## Auditor

A resolution to reappoint KPMG Channel Islands Limited 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 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.

## 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.

**Internal Control (continued)**

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 was also licensed to conduct class V of Fund Services Business until 11 April 2018). 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.

**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.



**Christopher Foulds**  
Director  
Jersey  
27 April 2018

Statement of Directors' Responsibilities

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

- the financial statements for the year ended 31 December 2017 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 of the Company's business, financial position and the important events that have occurred during the year and their impact on these financial statements.

The principal risks and uncertainties faced by the Company are disclosed in note 11 of these financial statements.

By order of the Board



**Christopher Foulds**

Director

27 April 2018



# Independent Auditor's Report to the Members of ETFS Oil Securities Limited

## *Our opinion is unmodified*

We have audited the financial statements of ETFS Oil Securities Limited (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

### *In our opinion, the accompanying financial statements:*

- give a true and fair view of the financial position of the Company as at 31 December 2017, and of the Company's financial performance and cash flows for the year then ended;
- are 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## *Key Audit Matters: our assessment of the risks of material misstatement*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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 forming our opinion thereon, we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, were as follows:

|  | <b>The risk</b>   | <b>Our response</b>  |
|--|---|--|
| <p><b>Valuation of Energy Contracts</b></p> <p>USD360,869,831;<br/>(2016: USD416,663,447)</p> <p>Refer to the accounting policy in note 2, and to disclosures in notes 6 and 11.</p> | <p><b>Basis:</b></p> <p>Energy Contracts represent 98% of the Company's total assets at 31 December 2017.</p> <p>Energy Contracts are used to back Energy Securities issued by the Company. Energy Contracts are accounted for at fair value.</p> <p>In the absence of a quoted price in an active market for the Energy Contracts, the Company determines fair value by revaluing the Energy Contracts entered into at the reporting date to their Contractual Value, as described in notes 2(ii) and 11(g).</p> <p>Contractual Value is calculated, in accordance with the formula set out in the prospectus, to reflect the change in the relevant energy index, taking into account the payment of a management fee and a daily spread.</p> <p><b>Risk:</b></p> <p>Incorrect application of the formula used to calculate Contractual Value may cause the reported fair value of Energy Contracts to be materially misstated.</p> | <p>Our audit procedures included:</p> <p><b>Internal Controls:</b> Assessed the design, implementation, and operating effectiveness of controls over valuation of the Energy Contracts.</p> <p><b>Evaluation of fair value methodology:</b> Assessed the appropriateness of the methodology used to determine fair value, and considered whether Contractual Value represents fair value in accordance with IFRS.</p> <p><b>Independent confirmation:</b> Obtained independent confirmation from the Energy Contract Counterparty of the Contractual Value of Energy Contracts entered into by the Company at the reporting date.</p> <p><b>Independent evaluation:</b> Recalculated the Contractual Value for a selection of Energy Contracts, selected based on the most significant classes of Energy Securities in issue at the reporting date by value, using index data obtained from a third party source. Compared the recalculated Contractual Values to those determined by the Company.</p> <p><b>Assessing disclosures:</b> Assessed the fair value disclosures in the financial statements for compliance with IFRS requirements.</p> |

|   | <b>The risk</b>   | <b>Our response</b>   |
|---|---|---|
| <p><b>Valuation of Energy Securities</b></p> <p>USD357,864,536;<br/>(2016: USD415,221,913)</p> <p>Refer to the accounting policy in note 2, and to disclosures in notes 7 and 11.</p> | <p><b>Basis:</b></p> <p>The issuance of Energy Securities is central to the Company’s principal activity. Energy Securities allow investors to gain exposure to movements in energy indices.</p> <p>Energy Securities are accounted for at fair value.</p> <p>The Company determines fair value by revaluing the Energy Securities in issue at the reporting date to prices quoted for the Energy Securities in active markets.</p> <p>The Company discloses at the foot of the Statement of Profit or Loss and Other Comprehensive Income the impact of a non-statutory adjustment to the value of Energy Securities to recognise that there is an accounting valuation difference between the Energy Securities and the underlying Energy Contracts which results from the Company’s application of IFRS fair value principles.</p> <p><b>Risk:</b></p> <p>The reported value of the Energy Securities may diverge from fair value due to the use of an inappropriate market price.</p> <p>Disclosure of a non-statutory adjustment may not be appropriate to achieve fair presentation under IFRS.</p> | <p>Our audit procedures included:</p> <p><b>Internal Controls:</b> Assessed the design, implementation, and operating effectiveness of controls over the valuation of Energy Securities.</p> <p><b>Independent evaluation:</b> Assessed the appropriateness of the pricing source and considered whether the market price represents fair value in accordance with IFRS. Performed an independent evaluation of fair value based on published market prices, and compared to those determined by the Company.</p> <p><b>Assessing disclosures:</b> Assessed the fair value disclosures in the financial statements, including those relating to the non-statutory adjustment, for compliance with IFRS requirements. Considered the Company’s basis for the disclosure of the non-statutory adjustment in the context of reducing the perceived misleading aspects of compliance with IFRS and achieving a fair presentation.</p> |



### *Our application of materiality and an overview of the scope of our audit*

Materiality for the financial statements as a whole was set at USD1.8 million, determined with reference to a benchmark of total assets of USD366,907,687 as at 31 December 2017, of which it represents 0.5% (2016: 0.5%).

We reported to the Board of Directors all corrected or uncorrected misstatements we identified through our audit exceeding USD90,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

### *We have nothing to report on going concern*

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### *We have nothing to report on the other information in the Directors' Report*

The directors are responsible for the other information presented in the Directors' Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### *We have nothing to report on other 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 by the Company;
- 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.



## *Respective responsibilities*

### *Directors' responsibilities*

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities*

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## *The purpose of this report and restrictions on its use by persons other than the Company's members as a body*

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.

Steven Hunt

**For and on behalf of KPMG Channel Islands Limited**

*Chartered Accountants and Recognized Auditors,  
St Helier, Jersey*

27 April 2018

|  | Notes | Year ended 31 December |                    |
|--|-------|------------------------|--------------------|
|  |       | 2017<br>USD            | 2016<br>USD        |
| Revenue  | 3     | 2,052,388              | 2,229,568          |
| Expenses   | 3     | (2,052,388)            | (2,229,568)        |
| <b>Operating Result</b>  | 3     | -                      | -                  |
| Net Gain Arising on Contractual and Fair Value of Energy Contracts   | 6     | 58,092,641             | 139,860,708        |
| Net Loss Arising on Fair Value of Energy Securities  | 7     | (56,528,880)           | (147,088,092)      |
| <b>Result and Total Comprehensive Income for the Year</b>  | 7     | <b>1,563,761</b>       | <b>(7,227,384)</b> |
| <sup>1</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Energy Securities | 2     | (1,563,761)            | 7,227,384          |
| <b>Adjusted Result and Total Comprehensive Income for the Year</b>   |       | -                      | -                  |

The directors consider the Company's activities as continuing.

<sup>1</sup> An explanation of the non-statutory adjustment is set out on page 19. 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 | 2017<br>USD        | 2016<br>USD        |
| <b>Current Assets</b>                                       |       |                    |                    |
| Energy Contracts  | 6     | 360,869,831        | 416,663,447        |
| Amounts Receivable on Energy Contracts Awaiting Settlement  | 6     | 5,894,035          | 5,436,570          |
| Amounts Receivable on Energy Securities Awaiting Settlement | 7     | -                  | 12,463,387         |
| Trade and Other Receivables                                 | 5     | 143,821            | 193,092            |
| <b>Total Assets</b>   |       | <b>366,907,687</b> | <b>434,756,496</b> |
| <b>Current Liabilities</b>                                  |       |                    |                    |
| Energy Securities   | 7     | 357,864,536        | 415,221,913        |
| Amounts Payable on Energy Securities Awaiting Settlement    | 7     | 5,894,035          | 5,436,570          |
| Amounts Payable on Energy Contracts Awaiting Settlement     | 6     | -                  | 12,463,387         |
| Trade and Other Payables                                    | 8     | 140,079            | 189,350            |
| <b>Total Liabilities</b>                                    |       | <b>363,898,650</b> | <b>433,311,220</b> |
| <b>Equity</b>   |       |                    |                    |
| Stated Capital  | 9     | 1,742              | 1,742              |
| Retained Earnings   |       | 2,000              | 2,000              |
| Revaluation Reserve   |       | 3,005,295          | 1,441,534          |
| <b>Total Equity</b>   |       | <b>3,009,037</b>   | <b>1,445,276</b>   |
| <b>Total Equity and Liabilities</b>                         |       | <b>366,907,687</b> | <b>434,756,496</b> |

The financial statements on pages 13 to 27 were approved and authorised for issue by the board of directors and signed on its behalf on 27 April 2018.



**Christopher Foulds**  
Director

|   | Year ended 31 December |             |
|---|------------------------|-------------|
|   | 2017<br>USD            | 2016<br>USD |
| <b>Operating Result for the Year</b>                    | -                      | -           |
| <i>Changes in Operating Assets and Liabilities</i>      |                        |             |
| Decrease in Receivables                                 | 49,271                 | 89,767      |
| Decrease in Payables                                    | (49,271)               | (89,767)    |
| Cash Generated from Operating 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               | -                      | -           |
| <b>Cash and Cash Equivalents at the End of the Year</b> | -                      | -           |

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

|   | 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 2016</b>  |       | <b>1,742</b>             | <b>2,000</b>                | <b>8,668,918</b>                           | <b>8,672,660</b>       | <b>3,742</b>                    |
| Result and Total Comprehensive Income for the Year  |       | -                        | (7,227,384)                 | -  | (7,227,384)            | (7,227,384)                     |
| Transfer to Revaluation Reserve   | 7     | -                        | 7,227,384                   | (7,227,384)                                | -                      | -                               |
| <sup>3</sup> Adjustment from Market Value to Contractual Value<br>(as set out in the Prospectus) of Energy Securities | 7     | -                        | -                           | -  | -                      | 7,227,384                       |
| <b>Balance at 31 December 2016</b>  |       | <b>1,742</b>             | <b>2,000</b>                | <b>1,441,534</b>                           | <b>1,445,276</b>       | <b>3,742</b>                    |
| Opening Balance at 1 January 2017   |       | 1,742                    | 2,000                       | 1,441,534                                  | 1,445,276              | 3,742                           |
| Result and Total Comprehensive Income for the Year  |       | -                        | 1,563,761                   | -  | 1,563,761              | 1,563,761                       |
| Transfer to Revaluation Reserve   | 7     | -                        | (1,563,761)                 | 1,563,761                                  | -                      | -                               |
| <sup>3</sup> Adjustment from Market Value to Contractual Value<br>(as set out in the Prospectus) of Energy Securities | 7     | -                        | -                           | -  | -                      | (1,563,761)                     |
| <b>Balance at 31 December 2017</b>  |       | <b>1,742</b>             | <b>2,000</b>                | <b>3,005,295</b>                           | <b>3,009,037</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 adjustment is set out on page 19.

The notes on pages 17 to 27 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.

ETFS Management Company (Jersey) Limited and the related European exchange-traded product business specialises in the development and issuance of Exchange Traded Products (“ETPs”). ETPs include Exchange Traded Commodities (“ETCs”) and Exchange Traded Funds (“ETFs”). The ETCs issued by the Company are secured, undated, limited recourse debt securities designed to track the value (before fees and expenses) of an 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, and the Company does not make gains from trading in the underlying Energy Contracts themselves. The Energy 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 Energy Contracts will 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.

ETCs 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 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 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 trade in the Energy 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” 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 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.

### 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 net liquidity risk is considered to arise. All other expenses of the Company are met by ManJer; therefore the directors consider the Company to be a going concern for the foreseeable future and have prepared the financial statements on this basis.

On 13 November 2017, the Company announced that WisdomTree Investments, Inc (an exchange-traded product sponsor and asset manager) entered into an agreement to acquire ETF Securities Limited's European exchange-traded product business as a going concern, which includes the Company. The Company continues as a going concern following completion of the acquisition on 11 April 2018.

### 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, including:

- IAS 12 Income Taxes
- IAS 7 Statement of Cash Flows – Disclosure Initiative
- Annual Improvements to IFRS (including IFRS 12 Disclosure of Interest in Other Entities)

Of those Standards and Interpretations adopted in the current year, none have resulted in any significant effect on these financial statements.

#### (b) *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 2 Share-based Payment (effective for annual periods beginning on or after 1 January 2018)
- IFRS 4 Insurance Contracts (overlay approach to be applied when IFRS 9 is first applied, deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date)
- 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) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (no effective date set)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
- IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
- IAS 40 Investment Property (effective for annual periods beginning on or after 1 January 2018)
- Annual Improvements to IFRS

## 2. Accounting Policies (continued)

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

The directors intend to adopt IFRS 9 for the annual period beginning on 1 January 2018. The directors have undertaken an assessment of the impact of adoption IFRS 9 and have concluded that there would be minimal impact on the amounts reported in respect of the Company's financial instruments. Disclosures in the financial statements will be amended as necessary to meet the requirements of the standard.

The directors do not expect the adoption of the remaining 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 Trading Switzerland A.G. ("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 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'.

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

## 2. Accounting Policies (continued)

### 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.

### 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 Energy 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 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 |                    |
|---------------------------------|------------------------|--------------------|
|                                 | 2017<br>USD            | 2016<br>USD        |
| Creation and Redemption Fees    | 53,611                 | 119,845            |
| Management Fees                 | 1,998,777              | 2,109,723          |
| <b>Total Revenue</b>            | <b>2,052,388</b>       | <b>2,229,568</b>   |
| ManJer Fees                     | (2,052,388)            | (2,229,568)        |
| <b>Total Operating Expenses</b> | <b>(2,052,388)</b>     | <b>(2,229,568)</b> |
| <b>Operating Result</b>         | <b>-</b>               | <b>-</b>           |

Audit Fees for the year of GBP 19,864 will be met by ManJer (2016: GBP 19,285).

### 4. Taxation

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

### 5. Trade and Other Receivables

|                               | As at 31 December |                |
|-------------------------------|-------------------|----------------|
|                               | 2017<br>USD       | 2016<br>USD    |
| Creation and Redemption Fees  | 6,089             | 16,065         |
| Management Fees               | 133,990           | 173,285        |
| Receivable from Related Party | 3,742             | 3,742          |
|                               | <b>143,821</b>    | <b>193,092</b> |

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

### 6. Energy Contracts

|                                   | As at 31 December  |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | 2017<br>USD        | 2016<br>USD        |
| Change in Fair Value for the Year | <b>58,092,641</b>  | <b>139,860,708</b> |
| Energy Contracts at Fair Value    | <b>360,869,831</b> | <b>416,663,447</b> |

## 6. Energy Contracts (continued)

As at 31 December 2017, 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 5,894,035 (2016: USD 5,436,570).
- The amount payable on Energy Contracts as a result of unsettled creations of Energy Securities is USD Nil (2016: USD 12,463,387).

## 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:

|                                   | <b>As at 31 December</b> |                      |
|-----------------------------------|--------------------------|----------------------|
|                                   | <b>2017</b>              | <b>2016</b>          |
|                                   | <b>USD</b>               | <b>USD</b>           |
| Change in Fair Value for the Year | <u>(56,528,880)</u>      | <u>(147,088,092)</u> |
| Energy Securities at Fair Value   | <u>357,864,536</u>       | <u>415,221,913</u>   |

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

|   | <b>As at 31 December</b> |                      |
|---|--------------------------|----------------------|
|   | <b>2017</b>              | <b>2016</b>          |
|   | <b>USD</b>               | <b>USD</b>           |
| Change in Fair Value for the Year                 | <u>(58,092,641)</u>      | <u>(139,860,708)</u> |
| Energy Securities at Contractual Redemption Value | <u>360,869,831</u>       | <u>416,663,447</u>   |

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.

**7. Energy Securities (continued)**

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:

|  | Year ended 31 December |                    |
|--|------------------------|--------------------|
|  | 2017<br>USD            | 2016<br>USD        |
| Net Gain Arising on Contractual and Fair Value of Energy Contracts | 58,092,641             | 139,860,708        |
| Net Loss Arising on Fair Value of Energy Securities                | (56,528,880)           | (147,088,092)      |
|  | <b>1,563,761</b>       | <b>(7,227,384)</b> |

As at 31 December 2017, 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 (2016: USD 12,463,387).
- The amount payable as a result of unsettled redemptions of Energy Securities is USD 5,894,035 (2016: USD 5,436,570).

**8. Trade and Other Payables**

|                     | As at 31 December |                |
|---------------------|-------------------|----------------|
|                     | 2017<br>USD       | 2016<br>USD    |
| ManJer Fees Payable | <b>140,079</b>    | <b>189,350</b> |

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

**9. Stated Capital**

|   | As at 31 December |              |
|---|-------------------|--------------|
|   | 2017<br>USD       | 2016<br>USD  |
| 1,000 Shares of Nil Par Value, Issued at GBP 1 Each | <b>1,742</b>      | <b>1,742</b> |

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 or by virtue of being a director of the Company, are related parties.

*Fees charged by ManJer during the year:*

|             | Year ended 31 December |                  |
|-------------|------------------------|------------------|
|             | 2017<br>USD            | 2016<br>USD      |
| ManJer Fees | <u>2,052,388</u>       | <u>2,229,568</u> |

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

|                     | Year ended 31 December |                |
|---------------------|------------------------|----------------|
|                     | 2017<br>USD            | 2016<br>USD    |
| ManJer Fees Payable | <u>140,079</u>         | <u>189,350</u> |

At 31 December 2017, USD 1,742 is receivable from ManJer (2016: receivable from HoldCo USD 1,742).

As disclosed in the Directors' Report, ManJer paid Directors' Fees in respect of the Company of GBP 8,000 (2016: GBP 8,000).

Steven Ross is a director of R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator"). Christopher Foulds is the Compliance Officer of ManJer, and was an employee of ETF Securities Limited until 11 April 2018. On 11 April 2018 Christopher Foulds joined R&H. During the year, R&H charged ManJer administration fees in respect of the Company of GBP 39,750 (2016: GBP 39,000), of which GBP 10,000 (2016: GBP 9,750) was outstanding at the year end.

Gregory Barton and Peter Ziembra are executive officers of WisdomTree Investments, Inc.

Graham Tuckwell is a director of ETF Securities Limited and was a director of ManJer and HoldCo until 11 April 2018. Joseph Roxburgh was a director of ManJer and HoldCo and the Company Secretary of the Company until 11 April 2018.

## 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.

## 11. Financial Risk Management (continued)

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.

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. 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.

### (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.

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.

### (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 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. 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 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.

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 multiplier used in 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. 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.

### (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 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:

|                   | Fair Value as at 31 December |                      |
|-------------------|------------------------------|----------------------|
|                   | 2017<br>USD                  | 2016<br>USD          |
| <b>Level 1</b>    |                              |                      |
| Energy Securities | <u>(357,864,536)</u>         | <u>(415,221,913)</u> |
| <b>Level 2</b>    |                              |                      |
| Energy Contracts  | <u>360,869,831</u>           | <u>416,663,447</u>   |

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

## 12. Ultimate Controlling Party

The immediate parent company is HoldCo, a Jersey registered company. Following completion of the acquisition which included HoldCo on 11 April 2018 the ultimate controlling party is WisdomTree Investments, Inc. Prior to 11 April 2018 Graham Tuckwell was the ultimate controlling party of HoldCo through his majority shareholding in ETF Securities Limited.

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

### *Change of Ownership*

On 13 November 2017, the Company announced that WisdomTree Investments, Inc (an exchange-traded product sponsor and asset manager) entered into an agreement to acquire ETF Securities Limited's European exchange-traded product business as a going concern, which includes the Company. The change of ownership occurred on 11 April 2018.

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 2017 or on the results and cash flows of the Company for the year ended on that date.

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