



# **ETFS OIL SECURITIES LIMITED**

**Registered No: 88371**

**Unaudited Interim Financial Report for the  
Six Months to 30 June 2015**

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DIRECTORS' REPORT

The directors of ETFS Oil Securities Limited ("OSL" or the "Company") submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2015.

**Directors**

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

- Mr Graham J Tuckwell - Chairman
- Mr Graeme D Ross
- Mr Joseph L Roxburgh
- Mr 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:

<i><b>Director</b></i>	<i><b>Ordinary Shares of Nil Par Value</b></i>
Graham J Tuckwell (as controlling party of ETF Securities Limited ("ETFSL"))	1,000

**Principal Activities**

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

**Review of Operations**

During the period, the Company had the following number of classes, in aggregate, of Energy Securities in issue and admitted to trading on the following exchanges:

<u>Security</u>	<u>London Stock Exchange</u>	<u>Borsa Italia</u>	<u>Deutsche Börse</u>	<u>NYSE- Euronext Paris</u>	<u>Bolsa Mexicana de Valores</u>
Brent Energy Securities	5	1	1	1	1
WTI Energy Securities	5	2	2	2	-
Carbon Energy Securities	2	-	-	-	-
Total Energy Securities	12	3	3	3	1

As at 30 June 2015, assets under management amounted to USD 408.7 million (31 December 2014: USD 231.1million). The Company recognises its financial assets ("Energy Contracts") and financial liabilities ("Energy Securities") at fair value in the Statement of Financial Position.

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	69,159	11,630
Management Fees	992,352	812,071
Total Fee Income	<u>1,061,511</u>	<u>823,701</u>



**Review of Operations (continued)**

Under the terms of the service agreement with ETFS Management Company (Jersey) Limited (“ManJer”), the Company accrued expenses equal to the management fees and creation and redemption fees, which, after taking into account other operating income and expenses, resulted in an operating result for the period of USD Nil (30 June 2014: 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.

**Future Developments**

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

**Dividends**

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

**Employees**

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

**Directors’ Remuneration**

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>GBP</b>	<b>GBP</b>
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	3,750
Mr Joseph L Roxburgh	Nil	Nil
Mr Mark K Weeks	Nil	Nil

On behalf of the directors

**Joseph L Roxburgh**  
 Director  
 Jersey  
 28 August 2015

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare interim financial statements for each financial period. Under that law the directors have elected to prepare the interim 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 period 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, the 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

28 August 2015



	Note	Period ended 30 June	
		2015 Unaudited USD	2014 Unaudited USD
<b>Revenue</b>	2	1,061,511	823,701
<b>Expenses</b>	2	(1,061,511)	(823,701)
<b>Operating Result</b>	2	-	-
Net Loss Arising on Contractual and Fair Value of Energy Contracts	5	34,858,543	53,382,367
Net Gain Arising on Fair Value of Energy Securities	6	(34,536,494)	(53,463,701)
<b>Result and Total Comprehensive Income for the Period</b>		<u>322,049</u>	<u>(81,334)</u>
<sup>1</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Energy Securities	1	(322,049)	81,334
<b>Adjusted Result and Total Comprehensive Income for the Period</b>		<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 9. 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 8 to 13 form part of these financial statements

	Note	As at	
		30 June 2015 Unaudited USD	31 December 2014 Audited USD
<b>Current Assets</b>			
Trade and Other Receivables	4	278,854	160,335
Amounts Receivable on Energy Contracts Awaiting Settlement	5	-	5,935,825
Energy Contracts	5	408,665,307	231,112,836
<b>Total Assets</b>		<b>408,944,161</b>	<b>237,208,996</b>
<b>Current Liabilities</b>			
Energy Securities	6	403,806,583	226,576,161
Amounts Payable on Securities Awaiting Settlement	6	-	5,935,825
Trade and Other Payables	7	275,112	156,593
<b>Total Liabilities</b>		<b>404,081,695</b>	<b>232,668,579</b>
<b>Equity</b>			
Stated Capital	8	1,742	1,742
Retained Profits		2,000	2,000
Revaluation Reserve		4,858,724	4,536,675
<b>Total Equity</b>		<b>4,862,466</b>	<b>4,540,417</b>
<b>Total Equity and Liabilities</b>		<b>408,944,161</b>	<b>237,208,996</b>

The financial statements on pages 4 to 13 were approved by the board of directors and signed on its behalf on 28 August 2015.



**Joseph L Roxburgh**  
Director



	Period ended 30 June	
	2015 Unaudited USD	2014 Unaudited USD
<b>Operating Result for the Period</b>	-	-
<i>Changes in Operating Assets and Liabilities</i>		
(Increase)/Decrease in Receivables	(118,518)	17,608
Increase/(Decrease) in Payables	118,518	(17,608)
Cash Generated from/(Used in) Operations	-	-
<b>Net Movement in Cash and Cash Equivalents</b>	-	-
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Movement in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Period	-	-

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





	Stated Capital	Retained Earnings	Revaluation Reserve <sup>2</sup>	Total Equity	Adjusted Total Equity
Note	USD	USD	USD	USD	USD
Audited Opening Balance at 1 January 2014	1,742	2,000	(480,328)	(476,586)	3,742
Result and Total Comprehensive Income for the Period	-	(81,334)	-	(81,334)	(81,334)
Transfer to Revaluation Reserve	-	81,334	(81,334)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Energy Securities	-	-	-	-	81,334
Unaudited Balance at 30 June 2014	<u>1,742</u>	<u>2,000</u>	<u>(561,662)</u>	<u>(557,920)</u>	<u>3,742</u>
Opening Balance at 1 July 2014	1,742	2,000	(561,662)	(557,920)	3,742
Result and Total Comprehensive Income for the Year	-	5,098,337	-	5,098,337	5,098,337
Transfer to Revaluation Reserve	-	(5,098,337)	5,098,337	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Energy Securities	-	-	-	-	(5,098,337)
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>
Audited Opening Balance at 1 January 2015	1,742	2,000	4,536,675	4,540,417	3,742
Result and Total Comprehensive Income for the Period	-	322,049	-	322,049	322,049
Transfer to Revaluation Reserve	-	(322,049)	322,049	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Formula Price (as set out in the Prospectus) of Energy Securities	-	-	-	-	(322,049)
Unaudited Balance at 30 June 2015	<u>1,742</u>	<u>2,000</u>	<u>4,858,724</u>	<u>4,862,466</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 9.

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

## 1. Accounting Policies

The main accounting policies of the Company are described below.

### Basis of Preparation

The interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2014.

The presentation of interim 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 the profit or loss as disclosed in notes 5 and 6. Actual results could vary from these estimates.

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

### Accounting Standards

(a) *Standards, amendments and interpretations effective on 1 January 2015 but not relevant to the Company:*

- Amendments to IFRS 10 Consolidated Financial Statements - Investment Entities
- Amendments to IFRS 12 Disclosure of Interests in Other Entities - Investment Entities
- Amendments to IAS 27 Separate Financial Statements - Investment Entities
- Amendments to IAS 36 Impairment of Assets - recoverable amount disclosures for non-financial assets
- Amendments to IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement - novation of derivatives and continuation of hedge accounting
- IFRIC 21 Levies

(b) *Standards, amendments and interpretations that are in issue but 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)
- Amendments to IFRS 11 Joint Arrangements - accounting for acquisitions of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 16 Property, Plant and Equipment - clarification of acceptable methods of depreciation and amortisation and bringing bearer plants within scope (effective for annual periods beginning on or after 1 January 2016)

## 1. Accounting Policies (continued)

### Accounting Standards (continued)

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

- IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Amendments to IAS 38 Intangible Assets - clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 41 Agriculture - bringing bearer plants into the scope of IAS 16 (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)

The directors anticipate that the adoption of these standards in future periods will have no material financial impact; however the amendments may change the presentation of the financial statements. The directors have considered other new and revised standards 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) 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'.

**1. 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 redeemed by the Company. As the redemption of Energy Securities will coincide with the redemption of an equal amount of Energy Contracts, no liquidity risk is considered to arise. All other 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.

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

**2. Operating Result**

Operating result for the period comprised:

	Period ended 30 June	
	2015	2014
	Unaudited USD	Unaudited USD
Creation and Redemption Fees	69,159	11,630
Management Fees	992,352	812,071
<b>Total Revenue</b>	<b>1,061,511</b>	<b>823,701</b>
Management Fees to ManJer	(1,061,511)	(823,701)
<b>Total Operating Expenses</b>	<b>(1,061,511)</b>	<b>(823,701)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

**3. Taxation**

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

**4. Trade and Other Receivables**

	As at	
	30 June 2015	31 December 2014
	Unaudited USD	Audited USD
Creation and Redemption Fees	104,598	57,690
Management Fees	172,514	100,903
Amount Receivable on Stated Capital	1,742	1,742
	<b>278,854</b>	<b>160,335</b>

**5. Energy Contracts**

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	USD	USD
Change in Fair Value for the Period/Year	34,858,543	(225,750,590)
Energy Contracts	408,665,307	231,112,836

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 Nil (2014: USD 5,935,825).

**6. Energy Securities**

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

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

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	USD	USD
Change in Fair Value for the Period/Year	(34,536,494)	230,767,593
Energy Securities at Market Fair Value	403,806,583	226,576,161

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

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	USD	USD
Change in Fair Value for the Period/Year	(34,858,543)	225,750,590
Energy Securities at Contractual Redemption Value	408,665,307	231,112,836



**6. Energy Securities (continued)**

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>Period ended 30 June 2015 Unaudited USD</b>	<b>Year ended 31 December 2014 Audited USD</b>
Net Gain Arising on Contractual and Fair Value of Energy Contracts	34,858,543	(225,750,590)
Net (Loss) Arising on Fair Value of Energy Securities	(34,536,494)	230,767,593
	<u>322,049</u>	<u>5,017,003</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 payable as a result of unsettled creations of Energy Securities is USD Nil (2014: USD 5,935,825).

**7. Trade and Other Payables**

	<b>As at</b>	
	<b>30 June 2015 Unaudited USD</b>	<b>31 December 2014 Audited USD</b>
Management Fees Payable to ManJer	<u>275,112</u>	<u>156,593</u>

**8. Stated Capital**

	<b>As at</b>	
	<b>30 June 2015 Unaudited USD</b>	<b>31 December 2014 Audited USD</b>
1,000 Shares of Nil Par Value, Issued at GBP 1 Each	<u>1,742</u>	<u>1,742</u>

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").



**9. 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 period:*

	<b>Period ended 30 June 2015 Unaudited USD</b>	<b>Year ended 31 December 2014 Audited USD</b>
Management Fees	1,061,511	1,792,651

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

	<b>As at</b>	
	<b>30 June 2015 Unaudited USD</b>	<b>31 December 2014 Audited USD</b>
Management Fees Payable	275,112	156,593

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 3,750 (30 June 2014: GBP 3,750).

Graeme D Ross is a director of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer secretarial and administration fees in respect of the Company of GBP 10,750 (30 June 2014: GBP 12,000), of which GBP 5,375 (30 June 2013: GBP 6,000) was outstanding at the period end.

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

**10. Ultimate Controlling Party**

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

