



# ETFS Equity Securities Limited

Registered No: 112019

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

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

### Directors

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

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

### Directors' Interests

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

### Principal Activities

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

### Review of Operations

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

	London Stock Exchange	Borsa Italiana	Deutsche Börse
Leveraged Short Equity Securities	1	6	2
Leveraged Equity Securities	1	6	2
<b>Total Equity Securities</b>	<b>2</b>	<b>12</b>	<b>4</b>

As at 30 June 2019, the fair value of assets under management amounted to USD 113.1 million (31 December 2018: USD 124.9 million). The Company recognises its financial assets (Equity Contracts) and financial liabilities (Equity Securities) at fair value in the Condensed Statement of Financial Position.

During the period, the Company generated income from creation and redemption fees, administration allowance and licence allowance as follows:

	30 June 2019 USD	30 June 2018 USD
Creation and Redemption Fees	-	14,503
Administration Allowance and Licence Allowance	434,595	492,118
<b>Total Fee Income</b>	<b>434,595</b>	<b>506,621</b>

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

**Review of Operations (continued)**

The gain or loss on Equity Securities and Equity Contracts is recognised in the Condensed 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 Equity Securities at set prices on each trading day. These prices are based on an agreed formula published in the Prospectus, and are equal to the published net asset value ("NAV") of each class of Equity 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 Equity Securities are listed to be the principal market and as a result the fair value of the Equity 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 Equity Contracts and Equity 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 Equity Contracts and the market price of Equity Securities. This gain or loss would be reversed on a subsequent redemption of the Equity Securities and cancellation of the corresponding Equity Contracts. This is presented in more detail in note 5 to these interim financial statements.

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

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

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

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

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

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

**Directors' Remuneration**

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

**Directors' Remuneration (continued)**

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

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

**Going Concern**

The nature of the Company's business dictates that the outstanding Equity Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Equity Securities will coincide with the cancellation of an equal amount of Equity 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 interim financial statements on this basis.

**Directors Statement**

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

- the interim financial statements for the period ended 30 June 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by law and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- the Directors' Report gives a fair view of the development of the Company's business, financial position and the important events that have occurred during the period and their impact on these interim financial statements.

On behalf of the directors



**Hilary Jones**  
 Director  
 Jersey  
 12 September 2019

		Period ended 30 June	
		2019	2018
	Notes	Unaudited USD	Unaudited USD
Revenue	2	434,595	506,621
Expenses	2	(434,595)	(506,621)
<b>Operating Result</b>		-	-
Net Gain/(Loss) Arising on Contractual and Fair Value of Equity Contracts	3	1,847,871	(3,402,225)
Net (Loss)/Gain Arising on Fair Value of Equity Securities	4	(1,729,669)	3,762,760
<b>Result and Total Comprehensive Income for the Period</b>		<b>118,202</b>	<b>360,535</b>
<sup>1</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Equity Securities	5	(118,202)	(360,535)
<b>Adjusted Result and Total Comprehensive Income for the Period</b>		-	-

The directors consider the Company's activities as continuing.

<sup>1</sup> An explanation of the non-statutory adjustment is set out on pages 10 and 11. This represents the movement in the difference between the Contractual Value price of the Equity Contracts and the market price of Equity Securities.

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

	Notes	As at	
		30 June 2019 Unaudited USD	31 December 2018 Audited USD
<b>Current Assets</b>			
Cash and Cash Equivalents		43	84
Trade and Other Receivables		211,978	244,601
Equity Contracts	3	112,847,485	124,938,532
Amounts Receivable on Equity Contracts Awaiting Settlement	3	-	752,076
Amounts Receivable on Equity Securities Awaiting Settlement	4	-	-
<b>Total Assets</b>		<b>113,059,506</b>	<b>125,935,293</b>
<b>Current Liabilities</b>			
Equity Securities	4	112,686,938	124,896,187
Amounts Payable on Equity Securities Awaiting Settlement	4	-	752,076
Amounts Payable on Equity Contracts Awaiting Settlement	3	-	-
Trade and Other Payables		212,018	244,682
<b>Total Liabilities</b>		<b>112,898,956</b>	<b>125,892,945</b>
<b>Equity</b>			
Stated Capital		3	3
Revaluation Reserve		160,547	42,345
<b>Total Equity</b>		<b>160,550</b>	<b>42,348</b>
<b>Total Equity and Liabilities</b>		<b>113,059,506</b>	<b>125,935,293</b>

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



**Hilary Jones**  
Director

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
<b>Operating Result for the Period</b>	-	-
<i>Changes in Operating Assets and Liabilities</i>		
Decrease/(Increase) in Receivables	32,623	(13,034)
Increase/(Decrease) in Payables	(32,664)	245,202
Cash Generated from Operating Activities	(41)	232,168
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	<b>(41)</b>	<b>232,168</b>
Cash and Cash Equivalents at the Beginning of the Period	84	103
Net (Decrease) / Increase in Cash and Cash Equivalents	(41)	232,168
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>43</b>	<b>232,271</b>

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

	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve <sup>2</sup> USD	Total Equity USD	Adjusted Total Equity USD
Audited Opening Balance at 1 January 2018		3	-	41,288	41,291	3
Result and Total Comprehensive Income for the Period		-	360,535	-	360,535	360,535
Transfer to Revaluation Reserve		-	(360,535)	360,535	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Equity Securities		-	-	-	-	(360,535)
<b>Unaudited Balance at 30 June 2018</b>		<b>3</b>	<b>-</b>	<b>401,823</b>	<b>401,826</b>	<b>3</b>
Unaudited Opening Balance at 1 July 2018		3	-	401,823	401,826	3
Result and Total Comprehensive Income for the Period		-	(359,478)	-	(359,478)	(359,478)
Transfer to Revaluation Reserve		-	359,478	(359,478)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Equity Securities		-	-	-	-	359,478
<b>Audited Balance at 31 December 2018</b>		<b>3</b>	<b>-</b>	<b>42,345</b>	<b>42,348</b>	<b>3</b>
Audited Opening Balance at 1 January 2019		3	-	-	-	3
Result and Total Comprehensive Income for the Period		-	118,202	-	118,202	118,202
Transfer to Revaluation Reserve	5	-	(118,202)	118,202	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Equity Securities	5	-	-	-	-	(118,202)
<b>Unaudited Balance at 30 June 2019</b>		<b>3</b>	<b>-</b>	<b>160,547</b>	<b>160,550</b>	<b>3</b>

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

<sup>3</sup> An explanation of the non-statutory adjustment is set out on pages 10 and 11.

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

## 1. Accounting Policies

The main accounting policies of the Company are described below.

### Basis of Preparation

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

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

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

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

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

### Changes in Accounting Standards

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

## 2. Operating Result

Operating result for the period comprised:

	Period ended 30 June	
	2019	2018
	Unaudited	Unaudited
	USD	USD
Creation and Redemption Fees	-	14,503
Administration Allowance	395,087	447,380
Licence Allowance	39,508	44,738
<b>Total Revenue</b>	<b>434,595</b>	<b>506,621</b>
ManJer Fees	(434,555)	(506,539)
Bank Charges	(40)	(82)
<b>Total Operating Expenses</b>	<b>(434,595)</b>	<b>(506,621)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

**3. Equity Contracts**

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Fair Value	<u>1,847,871</u>	<u>(3,402,225)</u>
	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Equity Contracts at Fair Value	<u>112,847,485</u>	<u>124,938,532</u>

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

- The amount receivable on Equity Contracts as a result of unsettled redemptions of Equity Securities is USD nil (31 December 2018: USD 752,076).
- The amount payable on Equity Contracts as a result of unsettled creations of Equity Securities is USD nil (31 December 2018: USD nil).

**4. Equity Securities**

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Fair Value	<u>(1,729,669)</u>	<u>3,762,760</u>
	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Equity Securities at Fair Value	<u>112,686,938</u>	<u>124,896,187</u>

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

- The amount receivable as a result of unsettled creations of Equity Securities is USD nil (31 December 2018: USD nil).
- The amount payable as a result of unsettled redemptions of Equity Securities is USD nil (31 December 2018: USD 752,076).

**5. Adjustment from Market Value to Contractual Value of Equity Securities**

The Equity Contracts are priced by reference to the value of the relevant indices published by the relevant equity index sponsor, a multiplier calculated by the Company and agreed with Société Générale and the adjustment factor. The multiplier takes into account the daily accrual of the Administration Allowance, the Licence Allowance and the swap spread and collateral cost payable to the Equity Contract Counterparty. The adjustment factor will only be relevant in specific circumstances as outlined in the prospectus. This price is calculated based on the formula set out in the Prospectus, and is referred to as the ‘Contractual Value’.

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

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

Whilst the Equity Securities are quoted on the open market, the Company’s liability relates to its contractual obligations to issue and redeem Equity 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 Equity Security. Therefore, the actual contractual issue and redemption of Equity Securities occur at a price that corresponds to gains or losses on the Equity Contracts. As a result the Company has no net exposure to gains or losses on the Equity Securities and Equity Contracts.

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

	As at	
	30 June 2019	31 December 2018
	Unaudited USD	Audited USD
Equity Securities at Contractual Value	<u>112,847,485</u>	<u>124,938,532</u>
	Period ended 30 June	
	2019	2018
	Unaudited USD	Unaudited USD
Change in Contractual Value of Equity Securities	<u>(1,847,871)</u>	<u>3,402,225</u>

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 as set out in the Prospectus) of the Equity Contracts and the market price of Equity 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 Equity Securities’.

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

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

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Net Gain/(Loss) Arising on Contractual and Fair Value of Equity Contracts	1,847,871	(3,402,225)
Net (Loss)/Gain Arising on Fair Value of Equity Securities	(1,729,669)	3,762,760
	<b>118,202</b>	<b>360,535</b>

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

	2019 Unaudited USD	2018 Audited USD
Balance brought forward at 1 January	42,345	41,288
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Equity Securities:		
Period 1 January to 30 June	118,202	360,535
Period 1 July to 31 December	-	(359,478)
	118,202	1,057
<b>Closing balance at 30 June / 31 December</b>	<b>160,547</b>	<b>42,345</b>

**6. Fair Value Hierarchy**

The levels in the hierarchy are defined as follows:

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

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

The Company is required to utilise the available market price as the Equity Securities are quoted and actively traded on the open market therefore Equity Securities are classified as Level 1 financial liabilities.

**6. Fair Value Hierarchy (continued)**

The Company's rights in respect of Equity Contracts relate to its contractual obligations to issue and redeem Equity 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 NAVs of each class of Equity Security. Therefore, Equity Contracts are classified as level 2 financial assets, as the value is calculated using third party pricing sources supported by observable, verifiable inputs.

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

	<b>Period ended 30 June 2019 Unaudited USD</b>	<b>Year ended 31 December 2018 Audited USD</b>
<b>Level 1</b>		
Equity Securities	<u>(112,686,938)</u>	<u>(124,896,187)</u>
<b>Level 2</b>		
Equity Contracts	<u>112,847,485</u>	<u>124,938,532</u>

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

**7. Related Party Disclosures**

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

*Fees charged by ManJer during the period:*

	<b>Period ended 30 June 2019 Unaudited USD</b>	<b>2018 Unaudited USD</b>
ManJer Fees	<u>434,555</u>	<u>506,539</u>

The following balances were due to ManJer at period end:

	<b>As at 30 June 2019 Unaudited USD</b>	<b>31 December 2018 Audited USD</b>
ManJer Fees Payable	<u>212,017</u>	<u>244,682</u>

At 30 June 2019, USD 3 is receivable from ManJer (31 December 2018: USD 3).

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

Hilary Jones and Steven Ross are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer administration fees in respect of the Company of GBP 18,000 (30 June 2018: GBP 15,250), of which GBP 9,000 (30 June 2018: GBP 9,000) was outstanding at the period end.

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**8. Events Occurring After the Reporting Period**

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

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