ETFS Metal Securities Australia Limited

Registered No: ACN 101 465 383

Annual Report for the
Year ended 31 December 2019

Contents

Directors
Graham J Tuckwell – Chairman
Vincent W J FitzGerald
Kristian J Walesby

Administrator
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(until 9 February 2020)
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Sydney, NSW 2000

Registered Office
(from 10 February 2020)
Level 7, 50 King Street
Sydney, NSW 2000

Secretary
Evan Metcalf and Chi Ho (Cliff) Man
Level 7, 50 King Street
Sydney, NSW 2000

Trustee
Gold Bullion Nominees Pty Ltd
Level 7, 50 King Street
Sydney, NSW 2000

Registrar
(until 13 December 2019)
Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

Registrar
(from 14 December 2019)
Computershare Investor Services Pty Limited
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Legal Advisers
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Sydney, NSW 2000

Custodian
HSBC Bank PLC
8 Canada Square
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Auditor
KPMG
Level 30, International Tower 3
300 Barangaroo
Sydney, NSW 2000

Manager
ETFS Management (AUS) Limited
Level 7, 50 King Street
Sydney, NSW 2000

Precious metals surged throughout 2019 in U.S Dollar ("USD") terms and consolidated gains amid the uncertainty of major geo-political events. Australian investors saw similar returns in precious metals as the Australian dollar ("AUD") depreciated a mere 0.4% over the calendar year.

With regards to broad fundamental cyclical indicators for commodities, regional manufacturing purchasing manager indices declined throughout the first half of 2019 and ticked upwards through the latter parts of the year. Increased geopolitical risks surrounding Brexit slowed industrial demand. China and US trade tensions escalated for the first three quarters of the year and subsided in the last quarter.

The US Federal Reserve delivered three "eases" throughout 2019, a suit followed by other major central banks. The Reserve Bank of Australia also cut rates three times taking the cash rate to 0.75%. This arguably restricted any further fall in the Australian dollar throughout calendar year 2019.

2019 in Review

Unlike 2018 a stable Australian dollar did not significantly increase metal returns in Australian dollar terms in 2019. The Federal Reserve both eased throughout the year to new lows. Creating higher demand for equities as investors chased better returns.

Gold prices ended the year up 18.3% in USD terms. Geopolitical events such as Brexit and the U.S.-China trade dispute increased demand for the safe-haven asset. In AUD terms this translated to a gain of 18.9% and an all-time high. Globally the demand for gold was high as central banks strengthened their balance sheets building larger positions throughout the year. The growing middle class in emerging markets also attributed to an increase in gold demand throughout the year.

Silver prices ended the year up 15.2% in USD terms. In AUD terms performance over the year was 15.9%. The gold/silver ratio ended the year up 2.7%. Globally, silver demand increased mainly from industrial and technology manufacturing. Investors also sought increased demand for the metal as a hedge to event specific risks and volatility.

Although being one of the world's rarest metals, platinum lagged palladium through 2019. Platinum ended the year up 21.5% in USD terms. In AUD terms performance over the year was 22.1%. Global supply increase slightly whilst demand retracted, partly attributable to the decline in diesel engines and platinum's roll in catalytic converters.

Palladium continued to soar, posting a third consecutive year of gains. It ended the year up 54.2% in USD terms and 54.9% in AUD. Palladium has more than quadrupled in value since 2015. Tight supply and increasing demand from petrol vehicle manufacturing have been the main drivers.

2020 Outlook

2019 ended with inklings of positivity for the global economic outlook, consumer sentiment shifting upwards and major global equity indices hitting all-time highs. The recent proliferation of the COVID-19 virus has thrown markets into turmoil and clouded the economic outlook. Haven buying has been supportive for gold, with prices briefly rising as high as US$1,700 per ounce. On the whole, we expect demand for cyclical commodities to weaken over the coming months. However, the supply of rarer precious metals will be varied and could continue to drive prices higher.

Industrial metals, silver and palladium will likely remain in a supply deficit, lending support to their prices, though industrial demand may experience a period of weakness.

With inflation stalling in the U.S. and U.S. Treasury yields falling to all-time lows gold should continue to be in demand. Further rate cuts by the Federal Reserve could be gold-price positive. Further, a weakening Australian dollar is looking positive for gold in AUD terms.

Palladium has seen a pull-back in Q1 2020, but could continue higher as demand for palladium looks to be built into manufacturing structurally for years to come and there is little scope for supply to significantly increase.

Platinum's uptick in performance in 2019 may be a turning point as uses in biomedicine, jewellery and electric vehicles become more widely adopted and drive demand.

Silver prices could be bolstered by renewable energy and solar panel demand throughout the year as most G20 countries aim to achieve reduced emissions targets.

Graham Tuckwell
Chairman

Sydney
17 March 2020

The directors of ETFS Metal Securities Australia Limited (the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names and particulars of the directors of the Company during and since the end of the financial year are:
Graham J Tuckwell - Chairman
Vincent W J FitzGerald
Kristian J Walesby

Directors' Interests

The following table sets out each director's interest in Ordinary shares as at the date of this report. All interests are indirect through the directors' ownership of ETFS Capital Limited ("ETFSCL"), the ultimate controlling company.

Directors	Fully Paid Ordinary Shares
Graham J Tuckwell (as controlling party of ETFSCL)	130,720
Vincent W J FitzGerald	1,435
Kristian J Walesby	119

Change of immediate parent entity

Until 29 June 2019, the immediate and ultimate parent entity was ETFSCL, a Jersey registered company. On 30 June 2019, ETFSCL transferred 100% of its fully paid ordinary shares in the Company to ETFS (AUS) Pty Limited.

ETFSCL is the ultimate parent entity of both ETFS (AUS) Pty Limited and the company. The ultimate controlling party of the Company is Graham J Tuckwell, through his majority shareholding in ETFSCL.

Principal Activities

The Company's principal activities during the course of the financial year was the continuing issue of ETFS Physical Gold Securities, ETFS Physical Palladium Securities, ETFS Physical Platinum Securities, ETFS Physical Silver Securities and ETFS Physical PM Basket Securities, allowing investors to own and trade that interest through a listed security traded on the Australian Stock Exchange ("ASX").

A Metal Security comprises of a Metal Share (a redeemable preference share issued at a nominal value of 1/1,000th of a cent) together with an approximate entitlement (in all cases) to either 1/10th of one troy ounce of platinum, 1/10th of one troy ounce of palladium, 1/10th of one fine troy ounce of gold, 1 troy ounce of silver and a combination of 1/25th of one troy ounce of gold, 1 1/5th of one troy ounce of silver, 1/100th of one troy ounce of platinum and 1/50th of one troy ounce of palladium for the basket security. The metals are held in the name of the Trustee, Gold Bullion Nominees Pty Ltd. The metal, to which the Holder is entitled, is held by the Custodian Bank (HSBC Bank PLC) in vaults in London.

During the financial year there were no significant changes in the nature of those activities.

The Company has entered into an Administration Services Deed Poll with its related party, ETFS Management (AUS) Limited ("ETFSA"), whereby ETFSA is responsible for supplying or procuring the supply of all management and administration services required by the Company.

In consideration of fees earned in managing the Company and its investments, ETFSA provides or procures all management and administration services in connection with the issue and management of the Company's Metal Securities, required by the Company. Pursuant to this Deed Poll, all the operating costs relating to the Company including gold storage, gold insurance, marketing and administration costs, and compensation of directors and executives were incurred and paid by ETFSA to enable the continued operation of the Company.

Review of Operations

The most recent rollover Prospectus was issued on 27 March 2019. The Company was incorporated on 17 September 2002 and was admitted to the official list of the ASX on 27 March 2003. ETFS Physical Gold Securities (formerly Gold Bullion Securities) commenced trading on the ASX on 28 March 2003. On 2 February 2009 ETFS Physical Gold Securities was launched on the AQUA platform and was joined by ETFS Physical Platinum Securities, ETFS Physical Palladium Securities, ETFS Physical Silver Securities and ETFS Physical PM Basket Securities.

On 13 December 2019 a Supplementary Prospectus was issued to inform Holders that the provider of registry services was changed from Link Market Services Limited to Computershare Investor Services Pty Limited effective on and from 14 December 2019.

The table below show the quantities of metal securities on issue as at year-end.

	As at 31 December 2019 Securities on issue	As at 31 December 2018 Securities on issue
ETFS Physical Platinum Securities	43,780	15,280
ETFS Physical Palladium Securities	14,993	8,993
ETFS Physical Silver Securities	3,951,689	3,026,689
ETFS Physical Gold Securities	5,515,145	3,883,645
ETFS Physical PM Basket Securities	56,511	50,011
	9,582,118	**6,984,618**

Pursuant to the arrangements under the Deed Poll outlined above, the Company recognised no income or expenses for the year ended 31 December 2019 (2018: AUD Nil).

Future Developments

Effective from 8 January 2020 the Custodian and the Gold Overdraft Facility provider changed from HSBC Bank PLC to JPMorgan Chase Bank, N.A.

The directors 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.

Dividends

The directors do not recommend the provision or payment of a dividend to Holders of Ordinary Shares for the year (2018: AUD Nil).

Share Options Granted to Directors

No share options were granted or issued to directors or executives during the year (2018: Nil).

Directors' remuneration

No director has a service contract with the Company. The directors of the Company who are employees within the ETF Securities Group do not receive separate remuneration in their capacity as directors of the Company.

Indemnification of Officers and Auditors

The Company provided a written indemnity to the directors of the Company, the company secretary and all executive officers of the Company against any liability incurred while performing the duties of a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 8.

Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors

Kristian J Walesby
Director

Sydney
17 March 2020

1 In the opinion of the directors of ETFS Metal Securities Australia Limited ('the Company'):

(a) the financial statements and notes set out on pages 13 to 26 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

3 The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the *Corporations Act 2001*:

On behalf of the directors

K. Walesby

Kristian J Walesby
Director

Sydney
17 March 2020

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of ETFS Metal Securities Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of ETFS Metal Securities Australia Limited for the financial year ended 31 December 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Karen Hopkins

Karen Hopkins
Partner
Sydney
17 March 2020

Independent Auditor's Report

To the shareholders of ETFS Metal Securities Australia Limited

Opinion

We have audited the ***Financial Report*** of ETFS Metal Securities Australia Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 31 December 2019
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of Gold Bar held at fair value through profit or loss.
- Accounting for Redeemable Preference Shares

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Gold Bar at fair value through profit or loss

Refer to note 7 Gold Bar ($909,968) and note 14 Financial Risk Management in the Financial Report

The key audit matter	How the matter was addressed in our audit
Gold Bar is valued at fair value through profit or loss. Valuation of the Gold Bar is considered a Key Audit Matter, and therefore a focus of our audit team, due to the significance of the balance to the Company's total assets (69%).	Our procedures included: • Checked the valuation of the Gold Bar, as recorded in the general ledger, to externally quoted gold prices as at 31 December 2019. • Checked the ownership and quantity of the Gold Bar to the external custody report, to test existence of the Gold Bar being valued as at 31 December 2019. • Assessed the scope, competence and objectivity of the external expert engaged by the Company to inspect the Gold Bar on a periodic basis.

Accounting for Redeemable Preference Shares

Refer to note 9 Redeemable Preference Shares ($96) in the Financial Report

The Key Audit Matter	How the matter was addressed in our audit
The accounting treatment of the redeemable preference shares (Metal Shares) as they form part of the Metal Securities issued by the Company is considered a Key Audit Matter, and therefore a focus of our audit team, due to the complexity of the instruments. A Metal Security comprises of a Metal Share of nominal value (a redeemable preference share) plus a Beneficial Interest in Bullion (the Metal Entitlement). The issuance of these Metal Shares, which are publically traded on the Australian Stock Exchange, is the principal activity of the Company.	Our procedures included: • Assessed the accounting treatment of the redeemable preference shares, Metal Securities and Metal Entitlements against the requirements of the Australian Accounting Standards. • Checked the quantities of the Metal Securities issued as disclosed in the Financial Report to the external registry reports to test the existence of the Metal Securities. • Checked the quantities of the Metal Bullion held as disclosed in the Financial Report to the external custody reports to test the

	existence of the Metal Bullion. • Obtained and read the independent audit controls reports prepared in relation to the external registry provider's processes and access controls relevant to registry services for Metal Securities and assessed the impact on our procedures. Additionally, we read the independent audit controls reports prepared in relation to the external custody provider's processes and access controls relevant to custody services for Metal Bullion and assessed the impact on our procedures. For the period not covered by the independent audit controls reports we requested confirmation of control changes from the external registry and custody providers to assess the impact of any changes on our procedures. • Assessed the reputation, professional competence and independence of the auditors of the independent audit controls reports. • Evaluated and tested the Company's disclosures of redeemable preference shares, Metal Securities and Metal Entitlements, based on our understanding, against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in ETFS Metal Securities Australia Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes 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 for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Karen Hopkins

Partner

Sydney

17 March 2020

	Notes	Year ended 31 December 2019 AUD	2018 AUD
Revenue			
Net Gains/(Losses) on Financial Instruments	7,8	-	-
Expenses		-	-
Profit Before Income Tax Expense		-	-
Income Tax	4	-	-
Profit for the Year Attributable to Equity Holders of the Company		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		-	-

The above Statement of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes.

	Notes	As at 31 December 2019 AUD	2018 AUD
Assets			
Current Assets			
Cash and Cash Equivalents		-	-
Receivable from Related Parties	6	407,856	407,829
Gold Bar	7	909,968	764,624
Total Current Assets		**1,317,824**	**1,172,453**
Total Assets		**1,317,824**	**1,172,453**
Liabilities			
Current Liabilities			
Gold Overdraft Facility	8	909,968	764,624
Redeemable Preference Shares	9	96	69
Total Current Liabilities		**910,064**	**764,693**
Total Liabilities		**910,064**	**764,693**
Net Assets		**407,760**	**407,760**
Equity			
Issued Capital	10	250,100	250,100
Equity Contributions	11	360,000	360,000
Retained Earnings		(202,340)	(202,340)
Total Equity		**407,760**	**407,760**

The above Statement of Financial Position are to be read in conjunction with the accompanying notes.

	Note	Year ended 31 December 2019 AUD	2018 AUD
Cash Flows Used In Operating Activities			
Payments to Related Parties		(27)	(6)
Net Cash Used in Operating Activities	15	**(27)**	**(6)**
Cash Flows generated from Financing Activities			
Movement on Trading of Metal Securities		27	6
Net Cash generated from Financing Activities		**27**	**6**
Net Decrease in Cash and Cash Equivalents		**-**	**-**
Cash and Cash Equivalents at the Beginning of the Year		-	-
Cash and Cash Equivalents at the End of the Year		**-**	**-**

The above Statement of Cash Flows are to be read in conjunction with the accompanying notes.

	Issued Capital AUD	Retained Earnings AUD	Other Reserves AUD	Total Equity AUD
Opening Balance at 1 January 2018	250,100	(202,340)	360,000	407,760
Total Comprehensive Income for the Year	-	-	-	-
Balance at 31 December 2018	**250,100**	**(202,340)**	**360,000**	**407,760**
Opening Balance at 1 January 2019	250,100	(202,340)	360,000	407,760
Total Comprehensive Income for the Year	-	-	-	-
Balance at 31 December 2019	**250,100**	**(202,340)**	**360,000**	**407,760**

The above Statement of Changes in Equity are to be read in conjunction with the accompanying notes.

1. General Information

ETFS Metal Securities Australia Limited (the "Company") is a public company incorporated and operating in Australia and admitted to the official list of the Australian Stock Exchange ("ASX") under the AQUA rules. The Company's Metal Securities are quoted on the ASX under the following codes:

ETFS Physical Gold	GOLD
ETFS Physical Silver	ETPMAG
ETFS Physical Platinum	ETPMPT
ETFS Physical Palladium	ETPMPD
ETFS Physical PM Basket	ETPMPM

The address of the registered office and principal place of business is Level 7, 50 King Street, Sydney, NSW 2000. The Company is domiciled in Australia and is a for-profit entity.

The ETFS Capital Group, of which the Company is a part, specialises in the development and issuance of Exchange Traded Products ("ETPs"). ETPs are transparent securities designed to track the value (before fees and expenses) of the underlying commodity, index or currency while providing market liquidity for the investor. ETPs typically are not actively managed, are significantly lower in cost when compared to actively managed mutual funds and are easily accessible to investors.

The purpose of the Company is to provide a vehicle that permits trading of the Metal Securities, not to make gains from trading in the underlying Metal Bullion assets themselves. The Metal 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 Metal Bullion will always be offset by an equal and opposite loss or gain on the Metal Securities. Further details regarding the risks of the Company are disclosed in Note 14.

The financial report was authorised for issue by the directors on 17 March 2020. The directors of the Company have the power to amend and reissue the financial statements. The financial statements are presented in Australian Dollars, which is the Company's functional currency.

Administrative Services and Economic Support

The Company has entered into an Administration Services Deed Poll with its related party, ETFS Management (AUS) Limited ("ETFSA"), whereby ETFSA is responsible for supplying or procuring the supply of all management and administration services required by the Company.

Under the Administration Service Deed Poll, ETFSA is entitled to:

i) A Management Fee which is calculated by applying a fixed percentage to the contractual value of Metal Securities in issue on a daily basis; and

ii) Creation and Redemption Fees on the issue and redemption of the Metal Securities.

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

In consideration of fees earned in managing the Company and its investments, ETFSA provides or procures all management and administration services in connection with the issue and management of the Company's Metal Securities, required by the Company. Pursuant to this Deed Poll, all the operating costs relating to the Company including gold storage, gold insurance, marketing and administration costs, and compensation of directors and executives were incurred and paid by ETFSA to enable the continued operation of the Company.

2. Accounting Policies

Statement of Compliance

These financial statements are a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and interpretations and comply with other requirements of the law. Accounting standards include Australian equivalents to International Financial Reporting standards ("AASBs"). The financial statements and notes of the Company comply with International Financial Reporting Standards ("IFRS").

Basis of Preparation

These financial statements have been prepared under the historical cost convention, except for the revaluation of gold bar and gold overdraft facility. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars, unless otherwise stated.

In the application of AASBs management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASBs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

New and amended accounting standards adopted by the Company

On 1 January 2019 the Company adopted the following new and revised accounting standards:

i) AASB 16 Leases (effective from 1 January 2019)

AASB 16, replacing AASB 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

AASB 16 was adopted for the first time beginning 1 January 2019. The adoption of AASB 16 had no impact on the Company's result or its financial position as the Company has not entered into any lease agreements.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 reporting period and have not been early adopted by the Company. There are no standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

2. Accounting Policies (Continued)

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Gold Bar

The gold bar asset is a hedged item in a designated fair value hedge and is recorded at fair value. Changes in fair value are recognised through profit or loss.

Gold Overdraft Facility

The Company has a gold overdraft facility with HSBC Bank USA, N.A (the "Gold Overdraft Facility"), which is repayable in gold. This loan is recorded at the fair value with movements recognised through profit or loss.

Payables

Trade payables and other accounts payable are recognised when the parent company becomes obliged to make future payments resulting from the purchase of goods and services.

ETFS Redeemable Preference Shares

ETFS Metal Shares are redeemable preference shares and are recorded at their nominal value of 1/1,000th of one cent each.

Cash and Cash Equivalents

Cash and cash equivalents may comprise of cash in hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Loans and Receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

3. Revenue and costs

Pursuant to the arrangements under the Administration Services Deed Poll with ETFSA as outlined above in note 1, the Company recognised no income or expenses for the year to 31 December 2019 (2018: AUD Nil). In accordance with this Deed Poll, ETFSA earns management fees of:

	Year ended 31 December	
	2019 AUD	**2018 AUD**
Management fees	**3,695,183**	**2,709,862**

No director has a service contract with the Company. The directors of the Company who are employees within the ETFS Capital Group do not receive separate remuneration in their capacity as directors of the Company.

4. Income Tax

Under the terms of the Administration Services Deed Poll between the Company and ETFSA, the creation and redemption fees and monthly gold sales charge are paid directly by Holders to the management company (ETFSA) and the management company pays all expenses required to facilitate the Holders' investment in the Company, including income taxes. This arrangement means the Company has received no income and incurred no liabilities or expenses, and therefore no income tax expense is recorded for the year ended 31 December 2019 (2018: AUD Nil).

5. Auditors' Remuneration

	Year ended 31 December	
	2019 AUD	**2018 AUD**
Amount received or due and receivable by KPMG:		
Review of the Interim Financial Statements	9,700	9,445
Audit of the Financial Statements	18,000	17,600
Total Auditors' remuneration	**27,700**	**27,045**

The auditors' remuneration are paid or payable by ETFSA.

6. Amount Receivable from Related Parties

	As at 31 December	
	2019 AUD	**2018 AUD**
Amount Receivable from ETFS Capital Limited ("ETFSCL")	407,856	407,829
Total Amount Receivable from Related Parties	**407,856**	**407,829**

The amount receivable from related parties reflects cash transferred to, and held and managed centrally by the Company's ultimate parent company. The amounts receivable from related parties are receivable upon demand. The fair value of these receivables is equal to the carrying value. Refer to note 13 (Related Party Disclosures).

7. Gold Bar

	As at 31 December	
	2019 AUD	2018 AUD
Gold Bar	**909,968**	**764,624**

The gold bar asset has been recorded at fair value. The fair value of the gold bar at reporting date is based on the market value of gold at reporting date of AUD 2,166.59 (2018: AUD 1,820.53) per ounce. The gain / (loss) on the fair value of the gold bar asset of AUD 145,344 (2018: AUD 68,426) is recognised through profit or loss.

The gold bar is classified as a Level 1 assets. Refer to Note 14 for definitions of the fair value hierarchy.

The Company's gold bar has been made available for use by Gold Bullion Nominees Pty Ltd ('Trustee'), an entity subject to common control. Gold Bullion Nominees Pty Ltd uses this bar to facilitate the movement of gold between unallocated and allocated physical stocks of gold and ensures all Holders' receive gold in allocated form.

8. Gold Overdraft Facility

	As at 31 December	
	2019 AUD	2018 AUD
Gold Overdraft Facility	**909,968**	**764,624**

The Company has a Gold Overdraft Facility with HSBC Bank USA, N.A. for the loan of 420 fine troy ounces of gold. The Agreement signed on 9 December 2004 provides a no-interest at call facility which is denominated in gold ounces.

The Gold Overdraft Facility has been recorded at fair value. The fair value of the Gold Overdraft Facility at reporting date is based on the market value of gold at reporting date of AUD 2,166.59 (2018: AUD 1,820.53) per ounce. The gain / (loss) on the fair value of the Gold Overdraft Facility of AUD (145,344) (2018: AUD (68,426)) is recognised through profit or loss.

9. Redeemable Preference Shares

	As at 31 December	
	2019 AUD	2018 AUD
Redeemable Preference Shares (Metal Shares)	**96**	**69**

A Metal Security comprises of a Metal Share of nominal value plus a Beneficial Interest in the relevant amount of bullion (the "Metal Entitlement"), which is held in a Separate Trust for each Holder. A Metal Share is a redeemable preference share with a nominal value of 1/1,000th of one cent which carries with it a right to the Metal Entitlement applicable to that class of share. The Metal Share exists in order to provide a class of "share" which is tradable on the Australian Stock Exchange. The economic value of each Metal Security lies in the Metal Entitlement which is carried around with each Metal Share.

Whenever there is a transfer in ownership of a Metal Share, there is a corresponding transfer in the ownership of the Metal Entitlement applicable to that Metal Share. The Trustee of the metals is Gold Bullion Nominees Pty Ltd, a special purpose company established to facilitate the offer of Metal Securities. The owners and directors of the Trustee are the same as that of the Company.

9. Redeemable Preference Shares (continued)

The quantities of Metal Securities on issue at the year end are as follows:

	As at 31 December 2019 Securities on issue	As at 31 December 2018 Securities on issue
ETFS Physical Platinum Securities	43,780	15,280
ETFS Physical Palladium Securities	14,993	8,993
ETFS Physical Silver Securities	3,951,689	3,026,689
ETFS Physical Gold Securities	5,515,145	3,883,645
ETFS Physical PM Basket Securities	56,511	50,011
	9,582,118	**6,984,618**

The Trustee holds the below metals on behalf of Holders of the respective class of Metal Security (ETFS Physical Platinum, ETFS Physical Palladium, ETFS Physical Gold, ETFS Physical Silver and ETFS Precious Metals Basket). The metals were not brought to account by the Trustee or the Company as the Holders of each class of Metal Security have the direct beneficial interest in the metal.

	As at 31 December 2019		As at 31 December 2018	
	Troy Ounces	**Market Value in AUD**	**Troy Ounces**	**Market Value in AUD**
Platinum	4,683.172	6,468,983	1,930.924	2,177,784
Palladium	2,491.247	6,804,477	1,808.496	3,244,516
Silver	3,808,132.967	97,756,510	2,938,785.156	64,557,510
Gold	519,975.110	1,126,572,598	368,018.313	669,989,321
		1,237,602,568		**739,969,131**

Holders of Metal Securities have the right to vote:

- on any proposal that affects rights attached to a Metal Security (except the issue of new Metal Securities, or the redemption of Metal Securities on issue);
- on any proposal to wind up the Company; and
- during the winding up of the Company.

Holders of Metal Securities are not entitled to:

- any right to the payment of any dividends;
- any rights of participation in any surplus assets and profits of the Company; or
- priority of payment of capital or dividends in relation to other classes of shares, except on the winding up of the Company.

Metal Securities are redeemable at any time (in accordance with the terms of Redemption) by the Holders. Metal Securities can also be compulsorily redeemed by the Company on provision of 30 days' notice or in the case of insolvency. Therefore an investment in Metal Securities may be redeemed earlier than desired by the Holders.

10. Issued Capital

	As at 31 December	
	2019	2018
	AUD	AUD
250,100 Fully Paid Ordinary Shares (2018: 250,100)	**250,100**	**250,100**

All ordinary shares issued by the Company carry one vote per share without restriction and carry the right to dividends. All Ordinary Shares were held by ETFS Capital Limited, a Jersey registered company until 29 June 2019. On 30 June 2019 ETFS Capital Limited transferred 100% of its fully paid ordinary shares in the Company to ETFS (AUS) Pty Limited. There were no movement in the fully paid ordinary shares during the year (2018: nil).

It is intended that capital reserves remain at AUD 250,100 (2018: AUD nil); the Directors consider this is sufficient to maintain on-going operations and the continuing issue of the Company's Metal Securities.

11. Equity Contribution

	As at 31 December	
	2019	2018
	AUD	AUD
Equity Contribution	**360,000**	**360,000**

The equity contribution was received from the parent entities.

12. Contingent Liabilities and Contingent Assets

The Company does not have material contingent liabilities, contingent assets or commitments as at 31 December 2019 (2018: AUD Nil).

13. Related Party Disclosures

Until 29 June 2019, the immediate and ultimate parent entity was ETFSCL, a Jersey registered company. On 30 June 2019, ETFSCL transferred 100% of its fully paid ordinary shares in the Company to ETFS (AUS) Pty Limited.

ETFSCL is the ultimate parent entity of both ETFS (AUS) Pty Limited and the Company. The ultimate controlling party of the Company is Mr. Graham J Tuckwell, through his majority shareholding in ETFSCL.

Refer to Note 6 Amount Receivable from Related Parties.

Mr. Kristian J Walesby is a Director of the Company and also a shareholder in ETFS Management (AUS) Limited.

14. Financial Risk Management

Financial Risk Factors

The Company undertakes transactions in a limited range of financial instruments including cash assets and receivables. These transactions and activities result in exposure to a number of financial risks, including market risk (interest rate risk, foreign currency risk), liquidity risk, credit risk, and fair value risk.

These financial risks are managed such as to mitigate inappropriate volatility of financial performance and maintain an optimal capital structure that enables the continued issue of the Metal Securities, allowing investors to own and trade physical metals through listed securities traded on the ASX.

Significant accounting policies, terms and conditions of assets and liabilities are disclosed in Notes 2, 7 and 8. Details of foreign currency risk, interest rate risk, credit risk and fair values are detailed below.

a) Interest Rate Risk

The Company does not have significant exposure to interest rate risk as at 31 December 2019 as the Company has no interest bearing financial assets or liabilities (2018: Nil). An increase or decrease in interest rates would not affect the net profit or equity of the Company. There have been no changes to the Company's exposure to interest rate risk from the prior year.

b) Credit Risk

Credit risk primarily refers to the risk that a client will default on its contractual obligations resulting in financial loss to the Company. All related party receivables are deemed to be readily available for collection so the credit risk associated to them is considered to be low.

The carrying amount of financial assets recorded in the financial report represents the Company's maximum exposure to credit risk. There have been no changes to the Company's exposure to credit risk from the prior year.

c) Liquidity Risk

Liquidity risk includes the risk that, as a result of deficiencies in managing operational liquidity, the Company has insufficient funds to settle a transaction; or it is forced to sell financial assets at a value less than what they are worth.

The Company has a limited liquidity risk exposure. As detailed in Notes 1 and 3, all of the operating costs relating to the Company, including gold storage, gold insurance, and marketing and administration costs, are incurred and paid by ETFSA and all amounts receivable from Holders in respect of creations and redemptions of Metal Securities and holders gold interests are now earned by ETFSA.

The liquidity risk of the Company is managed by determining, in cooperation with the ultimate parent company, the optimal timing of settlement of net receivables from the ultimate parent company. There have been no changes to the Company's exposure to liquidity risk from the prior year.

d) Fair Value and Foreign Currency Risk

The carrying amount of assets and liabilities recorded in the financial statements are recorded at their fair values.

As disclosed in Notes 7 and 8, the Company's exposure to movements in the fair value of the Gold Bar asset and the Gold Overdraft Facility due to changes in the market price of gold and changes in the AUD to USD exchange rate is offset as the Gold Overdraft Facility is settled in gold. Therefore the Company has no net exposure to fair value changes in respect of the Gold Bar asset. There have been no changes to the Company's exposure to fair value and foreign currency risk from the prior year.

The valuation technique for Redeemable Preference Shares are disclosed in Note 9.

14. Financial Risk Management (continued)

Financial Risk Factors (continued)

e) Three tier hierarchy of fair value

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 December 2019		
All amounts in AUD	**Level 1**	**Level 2**	**Level 3**
Assets			
Gold Bar	909,968	-	-
Liabilities			
Gold Overdraft Facility	(909,968)	-	-
Redeemable Preference Shares	(96)	-	-

All amounts in AUD	As at 31 December 2018		
	Level 1	**Level 2**	**Level 3**
Assets			
Gold Bar	764,624	-	-
Liabilities			
Gold Overdraft Facility	(764,624)	-	-
Redeemable Preference Shares	(69)	-	-

There were no transfers of assets and liabilities between Levels during the year (2018: nil).

15. Notes to Cash Flow Statement

	Year ended 31 December	
	2019 AUD	2018 AUD
Reconciliation of Profit/(Loss) for the Year to Net Cash Flows from Operating Activities:		
Profit/(Loss) for the Year	-	-
Changes in Net Assets and Liabilities:		
Increase in Current Receivables	(27)	(6)
Net Cash Used in Operating Activities	**(27)**	**(6)**

16. Ultimate Controlling Party

The ultimate controlling party of the Company is Mr. Graham J Tuckwell, through his majority shareholding in ETFSCL.

17. Subsequent Events

Effective from 8 January 2020 the Custodian and the Gold Overdraft Facility provider changed from HSBC Bank PLC to JPMorgan Chase Bank, N.A.

Other than the change noted above, there has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years that is not already disclosed in these financial statements.

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