



ETFS Metal Securities Australia Limited

Registered No: ACN 101 465 383

**Report and Financial Statements for the
Year ended 31 December 2018**

Contents

Management and Administration	1
Chairman's Letter	2-3
Directors' Report	4-6
Directors' Declaration	7
Auditor's Independence Declaration	8
Independent Auditor's Report	9-12
Statement of Profit or Loss and Other Comprehensive Income	13
Statement of Financial Position	14
Statement of Cash Flows	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17-27

Management and Administration

Directors

Graham J Tuckwell – Chairman
Greg J Burgess (resigned 22 August 2018)
Vincent W J FitzGerald
Kristian J Walesby (appointed 22 August 2018)

Registered Office

Suite 2a, Level 11, 309 Kent Street
Sydney, NSW 2000

Legal Advisers

MinterEllison
Governor Macquarie Tower
1 Farrer Place
Sydney, NSW 2000

Auditor

KPMG
Level 30, International Tower 3
300 Barangaroo
Sydney, NSW 2000

Trustee

Gold Bullion Nominees Pty Ltd
Suite 2a, Level 11, 309 Kent Street
Sydney NSW 2000

Administrator

R&H Fund Services (Jersey) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey, JE4 8PW

Secretary

Evan Metcalf and Chi Ho (Cliff) Man
Suite 2a, Level 11, 309 Kent Street
Sydney, NSW 2000

Registrar

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

Custodian

HSBC Bank PLC
8 Canada Square
London, E14 5HQ

Manager (until 24 March 2018)

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

Manager (from 25 March 2018)

ETFs Management (AUS) Limited
Suite 2a, Level 11, 309 Kent Street
Sydney, NSW 2000

Chairman's Letter

Commodities stagnated throughout 2018 in U.S Dollar ("USD") terms before strengthening from mid-year lows during the increased market volatility borne in financial markets from October to year end. Australian investors saw increased returns in commodities as the Australian dollar ("AUD") depreciated nearly 10% over the year, offsetting the soft performance of commodities for most of the year.

With regards to broad fundamental cyclical indicators for commodities, regional manufacturing purchasing manager indices remained steady except for the eurozone. Increased geopolitical risks surrounding Brexit slowed industrial demand. China and US trade tensions dampened a strong first three quarters for Chinese growth and demand.

The US Federal Reserve delivered regular rate increases throughout 2018, exacerbating the depreciation of the AUD. On balance, we see Federal Reserve rate hikes in more likelihood than the Reserve Bank of Australia and thus expect a further depreciation of the AUD, possibly having a positive effect for Australian Investors holding USD assets, albeit not at heights seen in 2018.

2018 in Review

The USD strengthening against the AUD increased returns for Australian investors holding USD denominated assets. The Federal Reserve tightened its monetary policy and the USD appreciated against most major and emerging currencies throughout the year.

Gold prices ended the year slightly down -0.9% in USD terms. Geopolitical events such as Brexit and the U.S./China trade dispute increased demand for the haven asset. In AUD terms this translated to a gain of 9.6%. 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 down -8.3% in USD terms. In AUD terms performance over the year was 1.7%. The Gold/Silver ratio ended the year up 8% and hitting a five year high in the process. Globally, silver surpluses increased to 5% as investors like central banks turned to gold to hedge event specific risks and volatility.

Although being one of the world's rarest metals, platinum ended the year down -14.8% in USD terms. In AUD terms performance over the year was -5.7%. Global supply grew slightly over the year whilst demand retracted, partly attributable to the decline in diesel engines and subsequently platinum's roll in catalytic converters.

The price palladium continued rise, posting a third consecutive year of gains. It ended the year up 20.2% in USD terms and 33.0% in AUD. Palladium has almost tripled in value since 2015. Tight supply and also increasing demand from petrol vehicle manufacturing have been the main drivers.

2019 Outlook

2018 ended with a weakening global economic outlook and declining consumer sentiment – stalling industrial demand in some global regions and slowing consumer and business confidence. On the whole we expect demand for cyclical commodities to remain steady. However, the supply of individual precious metals will be varied and could drive prices to highs not seen in recent years.

Industrial metals, silver and palladium will likely remain in a supply deficit, lending support to their prices.

With inflation stalling in the U.S., gold prices may see some support, but increasing U.S. Treasury yields will likely apply some downward pressure. The strength in USD seen in 2018 is expected to continue as the US Federal Reserve raises interest rates at a faster pace than most of its counterparts. That too would be gold-price negative, though not necessarily in AUD terms. Uncertainty around geopolitical events could see increased demand for safe-haven assets. Brexit, trade tensions, an Indian general election, North Korea, the proxy-war between Saudi Arabia and Iran are potential catalysts to cause investor anxiety and drive demand for Gold.



Palladium could reach new highs in 2019 – which will be predominately driven by supply factors. As demand for palladium looks to be built into manufacturing structurally for years to come.

Platinum's poor performance may be a turning point as uses in biomedicine, jewellery and electric vehicles become more widely accepted 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.

A handwritten signature in blue ink, appearing to read 'G Tuckwell', with a large, stylized initial 'G'.

Graham Tuckwell
Chairman
11 March 2019

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 2018. 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
 Greg J Burgess (resigned 22 August 2018)
 Kristian J Walesby (appointed 22 August 2018)

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 ("ETFSCCL") (formerly known as ETF Securities Limited), the ultimate controlling company.

Directors	Fully Paid Ordinary Shares
Graham J Tuckwell (as controlling party of ETFSCCL)	144,246
Vince W J FitzGerald	1,583
Kristian J Walesby	119

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.

In consideration of fees earned in managing the Company and its investments, related party, ETFS Management Company (Jersey) Limited ("ManJer") provided or procured all management and administration services required by the Company. Pursuant to this Deed Poll between the Company and ManJer all the operating costs relating to the Company including gold storage, gold insurance, marketing and administration costs, were incurred and paid by ManJer to enable the continued operation of the Company.

On 23 February 2018, the Company announced its intention that ETFS Management (AUS) Limited ("ETFSA") would replace ManJer as the provider of administrative services in relation to the Company. To that end the deed poll between the Company and ManJer was terminated, and a new deed poll, on substantially the same terms, was entered into between the Company and ETFSA and took effect on 25 March 2018. From 25 March 2018, the new Deed Poll outlines that all necessary services to ensure the Company's continued operation with be procured and paid for by ETFSA.

On 22 August 2018 Kristian J Walesby replaced Greg J Burgess as a member of the Board of Directors.

Review of Operations

The most recent rollover Prospectus was issued on 6 March 2018. 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.

A total of 15,280 (2017: 10,280) ETFS Physical Platinum Securities, 8,993 (2017: 8,993) Physical Palladium Securities, 3,026,689 (2017: 2,738,689) ETFS Physical Silver Securities, 3,883,645 (2017: 3,558,645) ETFS Physical Gold Securities and 50,011 (2017: 40,011) ETFS Physical PM Basket Securities were in issue at 31 December 2018.

Pursuant to the arrangements under the Deed Poll outlined above, the Company recognised no income or expenses for the year ended 31 December 2018 (2017: AUD Nil).

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 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 (2017: Nil).

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.

Directors' Meetings

The number of directors' meetings and the number of meetings attended by each director of the Company during the year were:

Directors	Held	Attended
Graham J Tuckwell	3	3
Greg J Burgess	3	1
Vincent W J FitzGerald	3	3
Kristian J Walesby	3	2

Directors' Report (Continued)

Remuneration Report (Audited)

The following table discloses the remuneration of the directors and key management personnel of the Company which has been paid by the Company during the year to 31 December 2018.

Name	Short-term Employee Benefits Salary/Fees AUD	Post- Employment Benefits Super AUD	Total AUD
Specified Directors:			
Graham J Tuckwell	Nil	Nil	Nil
Greg J Burgess	Nil	Nil	Nil
Vincent W J FitzGerald	Nil	Nil	Nil
Kristian J Walesby	Nil	Nil	Nil
Specified Company Secretary:			
Greg J Burgess	Nil	Nil	Nil
Graham J Tuckwell	Nil	Nil	Nil

Mr Burgess held 755 ETFS Physical Gold Securities at 31 December 2018 (2017: 763). During the year 41 ETFS Physical Gold Securities were acquired and 49 ETFS Physical Gold Securities were disposed of by Mr Burgess. No other director held an interest in the Metal Securities issued by the Company.

There have been no other movements in key management personnel shareholdings during the year ended 31 December 2018.

There were no executive directors and other executives during the financial year. Mr Tuckwell, Dr FitzGerald, Mr Burgess and Mr Walesby were not entitled to receive any emoluments in respect of their directorships. The remuneration of the directors is not dependent on the satisfaction of a performance condition.

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



Vincent W J FitzGerald

Director

Melbourne, 11 March 2019

Directors' Declaration

- 1 In the opinion of the directors of ETFS Metal Securities Australia Limited ('the Company'):
 - (a) the financial statements and notes that are set out on pages 13 to 27 and the Remuneration Report on page 6 in the Directors' Report, 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 2018 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 2018.
- 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



Vincent W J FitzGerald
Director
Melbourne, 11 March 2019



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 2018 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

K Hopkins

Karen Hopkins
Partner

Sydney
11 March 2019



Independent Auditor's Report

To the shareholders of ETFS Metal Securities Australia Limited

Report on the audit of the Financial Report

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 2018 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 2018;
- 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; and
- 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* (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.



Key Audit Matters

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

- Valuation of the financial assets held at fair value through profit or loss.
- Existence of Metal Securities and Metal Entitlements.

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 the financial assets held at fair value through profit or loss	
<i>Refer to note 7 Gold Bar (\$764,624) and note 14 Financial Risk Management in the Financial Report</i>	
The key audit matter	How the matter was addressed in our audit
<p>Financial assets held at fair value through profit or loss comprise of investments in Gold Bullion.</p> <p>Valuation of investments in Gold Bullion is considered a Key Audit Matter, and therefore a focus of our audit team, due to the significance of these assets to the Company's total assets (65%).</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Checked the valuation of the investments in Gold Bullion, as recorded in the general ledger, to externally quoted gold prices. • Checked the ownership of the investments in Gold Bullion to custody reports and the external expert inspection reports, to test existence of investments being valued. • Assessed the scope, expertise and independence of the external expert used by the Company to inspect the Gold Bullion on a periodic basis.
Existence of Metal Securities and Metal Entitlements	
<i>Refer to note 9 Other Non-Current Liabilities (\$69) in the Financial Report</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Metal Securities and the Metal Entitlements are considered a Key Audit Matter, and therefore a focus of our audit team, due to the interest of the intended users in the existence of the Metal Securities and Metal Entitlements.</p> <p><i>Other Non-Current Liabilities</i> comprise of redeemable preference shares (the Metal Securities). Each Metal Security comprises a Metal Share of nominal value plus a Beneficial Interest in Bullion (the Metal Entitlement). The issuance of these Metal Securities, which are</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Checked the Metal Securities disclosed in the Financial Report to the external registry reports to test the existence of the Metal Securities. • Assessed the key monitoring controls over the registry provider. • Read the independent audit controls report (GS007 report), to assess the control environment at the registry provider and its



<p>publically traded on the Australian Stock Exchange, is the principal activity of the Company. The economic value of each Metal Security lies in the Metal Entitlement.</p>	<p>impact on our procedures. For the period not covered by the GS007 report we requested and obtained confirmation of control changes from management of the registry provider.</p> <ul style="list-style-type: none">• Assessed the competency, skills and independence of the auditor of the GS007 report.• Checked the ownership of the investments in Metal Entitlements to external custody reports.
---	--

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.

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; and
- 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.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of ETFS Metal Securities Australia Limited for the year ended 31 December 2018 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report on page 6 within the Directors' report for the year ended 31 December 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.


KPMG


Karen Hopkins
Partner

Sydney
11 March 2019

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December	
		2018 AUD	2017 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 directors consider the Company's activities are continuing.

The notes on pages 17 to 27 form part of these financial statements

Statement of Financial Position

	Notes	As at 31 December	
		2018 AUD	2017 AUD
Assets			
Current Assets			
Cash and Cash Equivalents		-	-
Receivable from Related Parties	6	407,829	407,823
Gold Bar	7	764,624	696,198
Total Current Assets		1,172,453	1,104,021
Total Assets		1,172,453	1,104,021
Liabilities			
Current Liabilities			
Gold Overdraft Facility	8	764,624	696,198
Total Current Liabilities		764,624	696,198
Non-Current Liabilities			
Other Non-Current Liabilities	9	69	63
Total Non-Current Liabilities		69	63
Total Liabilities		764,693	696,261
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 financial statements on pages 13 to 27 were approved by the board of directors and signed on its behalf on 11 March 2019.

Vincent WJ FitzGerald
Director

The notes on pages 17 to 27 form part of these financial statements

Statement of Cash Flows

	Notes	Year ended 31 December	
		2018 AUD	2017 AUD
Cash Flows Used In Operating Activities			
Payments to Related Parties		(6)	(11,616)
Net Cash Used in Operating Activities	15	(6)	(11,616)
Cash Flows generated from Financing Activities			
Movement on Trading of Metal Securities		6	10
Net Cash generated from Financing Activities		6	10
Net Decrease in Cash and Cash Equivalents		-	(11,606)
Cash and Cash Equivalents at the Beginning of the Year		-	11,606
Cash and Cash Equivalents at the End of the Year		-	-

The notes on pages 17 to 27 form part of these financial statements

	Issued Capital	Retained Earnings	Other Reserves	Total Equity
	AUD	AUD	AUD	AUD
Opening Balance at 1 January 2017	250,100	(202,340)	360,000	407,760
Total Comprehensive Income for the Year	-	-	-	-
Balance at 31 December 2017	250,100	(202,340)	360,000	407,760
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

The notes on pages 17 to 27 form part of these financial statements

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 Suite 2a, Level 11, 309 Kent Street Sydney, NSW 2000.

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.

Administrative Services and Economic Support

The Company has entered into an Administration Services Deed Poll with ETFs Management Company (Jersey) Limited (“ManJer”), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company.

Under the Administration Service Deed Poll, ManJer 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, related party, ETFs Management Company (Jersey) Limited (“ManJer”) provided or procured all management and administration services required by the Company. Pursuant to this Deed Poll between the Company and ManJer all the operating costs relating to the Company including gold storage, gold insurance, marketing and administration costs, were incurred and paid by ManJer to enable the continued operation of the Company.

On 23 February 2018, the Company announced its intention that ETFs Management (AUS) Limited (“ETFSA”) would replace ManJer as the provider of administrative services in relation to the Company. To that end the deed poll between the Company and ManJer was terminated, and a new deed poll, on substantially the same terms, was entered into between the Company and ETFSA and took effect on 25 March 2018. From 25 March 2018, the new Deed Poll outlines that all necessary services to ensure the Company’s continued operation will be procured and paid for by ETFSA.

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”).

The financial statements were authorised for issue by the directors on 11 March 2019.

Basis of Preparation

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain non-current assets and financial instruments. 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. The Company is a for-profit entity.

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

i) *AASB 9 Financial Instruments*

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 was adopted for the first time beginning 1 January 2018. The adoption of AASB 9 had no impact on the Company’s results or financial position.

ii) *AASB 15 Revenue from Contracts with Customers*

AASB 15 was adopted for the first time as of 1 January 2018. This standard replaces all existing revenue requirements in Australian Accounting Standards. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. To determine when revenue is recognised and at what amount a five-step model is applied. The adoption of AASB 15 had no impact on the Company’s results or financial position.

2. Accounting Policies (Continued)**New Accounting Standards and Interpretations not yet adopted by the Company**

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

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

AASB 16 Leases removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

The Company has not entered into any lease agreements therefore the directors do not expect the adoption of the new standard to impact the amounts recognised in the financial statements.

ii) Annual Improvements to AASBs

The AASB has reissued Standards and Interpretations to make editorial changes. The directors anticipate that these amendments may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, but this will be dependent upon the facts and circumstances of any relevant activities and transactions in future periods.

No significant impact on the amounts reported in these financial statements is expected from the adoption of these Standards and Interpretations.

There are no other 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.

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.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2. Accounting Policies (Continued)

Income Tax

(i) Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred Tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Current and deferred tax is recognised as an expense or income in the income statement except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Gold Bar

The gold bar is denominated in gold ounces and is marked to fair value at the year end, with movements recognised in the statement of profit or loss and other comprehensive income.

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 in the statement of profit or loss and other comprehensive income.

Payables

Trade payables and other accounts payable are recognised when the 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.

2. Accounting Policies (Continued)

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 (other than the Gold Overdraft Facility discussed above and in note 8) are recorded at amortised cost less impairment.

3. Revenue and costs

Pursuant to the arrangements under the Administration Services Deed Poll outlined above, the Company recognised no income or expenses for the year to 31 December 2018 (2017: AUD Nil).

It is intended that capital reserves will remain at AUD 250,100; sufficient to maintain on-going operations and the continuing issue of the Company's Metal Securities.

4. Income Tax

Under the terms of the Administration Services Deed Poll between the Company and ManJer (until 24 March 2018) and ETFSA (from 25 March 2018), in consideration of management fees, all expenses required for the operation of the Company to facilitate the Holders' investment in Metal Securities are paid by the management company. This arrangement means the Company has received no income and incurred no liabilities or expenses.

5. Remuneration of Auditors

	Year ended 31 December	
	2018 AUD	2017 AUD
Review of the Interim Financial Statements – KPMG	9,445	9,445
Audit of the Financial Statements – KPMG	17,600	17,190
	27,045	26,635

The audit fees for 2018 and 2017 are paid by ETFSA and ManJer respectively.

6. Amount Receivable from Related Parties

	As at 31 December	
	2018	2017
	AUD	AUD
Amount Receivable from ETFs Capital Limited (“ETFsCL”)	407,829	407,823
Amount Receivable from Related Parties	407,823	407,823

The amount receivable from related parties reflects costs incurred by the related parties that have been settled by the Company. These amounts are reimbursed to the Company by the related parties. 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	
	2018	2017
	AUD	AUD
Gold Bar	764,624	696,198

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 1,820.53 (2017: AUD 1,657.61) per ounce. The gain / (loss) on the fair value of the gold bar asset of AUD 68,426 (2017: AUD 23,792) is recognised in the statement of profit or loss and other comprehensive income. The gold bar is classified as a Level 1 financial instrument. Refer to note 15 for definitions of the fair value hierarchy.

The Company’s gold bar has been made available for use by Gold Bullion Nominees Pty Ltd, 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	
	2018	2017
	AUD	AUD
Gold Overdraft Facility	764,624	696,198

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 1,820.53 (2017: AUD 1,657.61) per ounce. The gain / (loss) on the fair value of the Gold Overdraft Facility of AUD (68,426) (2017: AUD (23,792)) is recognised in the statement of profit or loss and other comprehensive income.

9. Other Non-Current Liabilities

	As at 31 December	
	2018 AUD	2017 AUD
Redeemable Preference Shares	69	63

Redeemable preference shares include issued Metal Securities. 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.

The Metal Securities on issue at 31 December 2018 comprised the following:

	Platinum	Palladium	Silver	Gold	Basket
Number of Securities on Issue at 31 December 2017	10,280	8,993	2,738,689	3,558,645	40,011
Created During the Year	5,000	-	293,000	355,000	10,000
Redeemed During the Year	-	-	(5,000)	(30,000)	-
Number of Securities on Issue at 31 December 2018	15,280	8,993	3,026,689	3,883,645	50,011

Ownership of the Metals (1,930.924 troy ounces of platinum, 1,808.496 troy ounces of palladium, 368,018.313 fine troy ounces of gold and 2,938,785.156 troy ounces of silver) at 31 December 2018 is held in the name of the Trustee for the benefit of the holders.

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 holder. 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 holder.

10. Issued Capital

	As at 31 December	
	2018 AUD	2017 AUD
250,100 Fully Paid Ordinary Shares (2017: 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 are held by ETFSCL, a Jersey registered Company.

	2018		2017	
	No.	AUD	No.	AUD
Fully Paid Ordinary Shares:				
Balance at Beginning of Financial Year	250,100	250,100	250,100	250,100
Movement in the Year	-	-	-	-
Balance at End of Financial Year	250,100	250,100	250,100	250,100

11. Equity Contribution

	As at 31 December	
	2018 AUD	2017 AUD
Equity Contribution	360,000	360,000

The equity contribution received from the parent entities in prior years was used to settle an income tax liability.

12. Contingent Liabilities and Contingent Assets

The Company does not have material contingent liabilities, contingent assets or commitments at 31 December 2018 (2017: AUD Nil).

13. Related Party Disclosures

The immediate and ultimate parent Company is ETFSCL, a Jersey registered company.

ManJer was appointed as the manager as of 1 January 2011 and was removed on 24 March 2018. ETFSA was appointed as the manager from 25 March 2018. Refer to note 1 for further details.

Refer to note 6 Amount Receivable from Related Parties.

Mr Burgess held 755 ETFs Physical Gold Securities at 31 December 2018 (2017: 763). During the year, 41 ETFs Physical Gold Securities were acquired and 49 ETFs Physical Gold Securities were disposed of by Mr Burgess. No other director held an interest in the Metal Securities issued by the Company.

Mr Walesby is a Director of the Company and also a shareholder in the Manager.

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 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 financial instruments are disclosed in notes 1, 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 2018 as the Company has no interest bearing financial assets or liabilities (2017: 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 the parent entity and all amounts receivable from holders in respect of creations and redemptions of Metal Securities and holders gold interests are now earned by the parent Company.

The liquidity risk of the Company is managed by determining, in cooperation with the parent Company, the optimal timing of settlement of net receivables from the parent entity. 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 financial assets and financial 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 financial instruments 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).

	31 December 2018		
	Level 1 AUD	Level 2 AUD	Level 3 AUD
Gold Bar	764,624	-	-
Gold Overdraft Facility	(764,624)	-	-
Redeemable Preference Shares	(69)	-	-
	31 December 2017		
	Level 1 AUD	Level 2 AUD	Level 3 AUD
Gold Bar	696,198	-	-
Gold Overdraft Facility	(696,198)	-	-
Redeemable Preference Shares	(63)	-	-

There were no transfers of financial instruments between Levels during the year.

15. Notes to Cash Flow Statement

	Year ended 31 December	
	2018 AUD	2017 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	(6)	(11,616)
Net Cash Used in Operating Activities	(6)	(11,616)

16. Ultimate Controlling Party

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

17. Subsequent Events

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.

The intelligent
alternative.