



# **ETFS Metal Securities Australia Limited**

**Registered No: ACN 101 465 383**

**Annual Report for the  
Year ended 31 December 2020**

**ETFs Metal Securities Australia Limited**  
**Annual Report for the year ended 31 December 2020**



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**ETFS Metal Securities Australia Limited**  
**Report for the year ended 31 December 2020**  
**Management and Administration**



**Directors**

Graham J Tuckwell – Chairman  
Vincent W J FitzGerald  
Mark K Weeks

**Administrator**

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

**Registered Office**

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**

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford, VIC 3067

**Legal Advisers**

MinterEllison  
Governor Macquarie Tower  
1 Farrer Place  
Sydney, NSW 2000

**Custodian**

(until 8 January 2020)  
HSBC Bank PLC  
8 Canada Square  
London, E14 5HQ

**Auditor**

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

(from 8 January 2020)  
JPMorgan Chase Bank  
60 Victoria Embankment  
London, EC4Y 0JP

**Manager**

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

**ETFs Metal Securities Australia Limited**  
**Chairman's Letter (Continued)**  
**For the year ended 31 December 2020**



**2020 in Review**

Precious metals were one of the best performing major asset classes in 2020 with the combination of a high-risk environment stemming from the COVID19 pandemic and associated shocks to global growth, low interest rate outlook and positive price momentum driving prices higher over the course of the year.

Gold reached new all-time highs in early August, trading above US\$2,060 before consolidating to end the year just below US\$1,900. Gold returned 24.2% for the year in U.S. dollar terms and 13.4% in Australian dollar terms as the strengthening domestic currency dampened returns.

Demand-wise, gold's record run was strongly linked to an increasing uptake of exchange traded products, with total known ETF holdings rising by 29% to 107 million troy ounces over the course of the year, according to Bloomberg data. In an eventful year gold enhanced its reputation as an investment asset that can be effective as both an event risk hedge and a portfolio diversifier, outperforming most major equity, bond and commodity benchmarks and exhibiting lower drawdowns during the highly volatile March-April period.

Silver was the best performing precious metal in 2020, ending the year up 46.8% in U.S. dollar terms and 34.0% higher in Australian dollar terms. As a more industrially used metal, silver saw substantially higher drawdowns than gold in March, dropping nearly 36% during the initial stages of the pandemic before riding higher on prospects of recovering economy growth. Investment flows for silver were also strong during a year that saw the gold/silver ratio peaking above 124x, before ending the year closer to its long-term average around 70x.

As the best performing precious metal in recent years palladium posted another strong year in 2020, returning 23.4% in U.S. dollar terms and 12.7% in Australian dollar terms. Pre-pandemic palladium prices had already risen over 45% by late-February on a combination of growing auto-industry demand and increasingly tight supply. The month of March saw extreme volatility with prices falling from US\$2,866 per ounce to US\$1,601 per ounce before rebounding to US\$2,363 before the end of the month. Supply remained tight impacted by lockdowns in major producing countries like South Africa and prices edged higher over the remainder of the year as global growth prospects improved.

Platinum was the laggard of the four major precious metals in 2020, returning 10.7% in U.S. dollar terms and 1.1% in Australian dollar terms.

**2021 Outlook**

2021 presents a mixed outlook for precious metals with both opportunities and risks on the horizon. Continued expansionary monetary policy and stimulatory fiscal policies across the globe are broadly positive for gold, with interest rates likely to remain depressed for years ahead and longer-term inflation expectations starting to tick higher in early 2021.

Any re-emergence of pandemic associated risks that dampen equity returns would also likely be positive for both gold and silver.

Industrial metals, particularly silver, which is used heavily in the production of solar panels, for example, are likely to see increasing demand from investment in renewable energy sources, which have been gathering momentum in recent years. Similarly, platinum and palladium will be heavily driven by auto-industry demand.

On the consumer side, as economies recover in emerging markets like India demand from the jewellery segment would be expected to pick-up.

On the supply side, mine capacity is likely to be restored in 2021, but risks remain of further lockdowns and disruptions, especially in emerging economies that may not have early availability of vaccine programmes.

DocuSigned by:

*Graham Tuckwell*

Graham Tuckwell

Chairman

Date: 15 March 2021

Melbourne

**ETFS Metal Securities Australia Limited**  
**Directors' Report**  
**For the year ended 31 December 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 2020. 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 (Resigned 9 September 2020)  
 Mark K Weeks (Appointed 26 August 2020)

**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 ("ETFSC"), the ultimate controlling company.

<b>Directors</b>	<b>Fully Paid Ordinary Shares</b>
Graham J Tuckwell (as controlling party of ETFSC)	130,025
Vincent W J FitzGerald	1,427
Mark K Weeks	1,106

**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 1/1,000<sup>th</sup> of a cent) together with an approximate entitlement (in all cases) to either 1/10<sup>th</sup> of one troy ounce of platinum, 1/10<sup>th</sup> of one troy ounce of palladium, 1/10<sup>th</sup> of one fine troy ounce of gold, 1 troy ounce of silver and a combination of 1/25<sup>th</sup> of one troy ounce of gold, 1 1/5<sup>th</sup> of one troy ounce of silver, 1/100<sup>th</sup> of one troy ounce of platinum and 1/50<sup>th</sup> 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 (JPMorgan Chase Bank) in vaults in London. Effective from 8 January 2020 the Custodian changed from HSBC Bank USA N.A. to JPMorgan Chase Bank.

Gold Bullion Nominees Pty Ltd (the "Trustee") entered into an Overdraft Facility on 16 September 2019, and the facility was utilised starting 8 January 2020, with JPMorgan that allows for the loan of up one bullion bar of Gold, Silver, Platinum and Palladium. Prior to obtaining the Overdraft Facility with JPMorgan, the Company had previously had entered into an agreement on 9 December 2004 for a no-interest at call facility, denominated in gold ounces, with HSBC for the loan of 420 fine troy ounces of gold. The agreement with HSBC was terminated on 8 January 2020 and the 420 fine troy ounces of gold were repaid to HSBC on that date. The Metal Bullion held through the Overdraft Facility is used by the Trustee to facilitate the movement of Metal Bullion between unallocated and allocated physical stocks to ensure all Metal Securities issued are supported by holdings of Metal Bullion in allocated form. The gold held through the agreement with HSBC was made available for use by the Trustee for the same purpose

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.

**ETFS Metal Securities Australia Limited**  
**Directors' Report (Continued)**  
**For the year ended 31 December 2020**



**Principal Activities (continued)**

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. Pursuant to this Deed Poll, all of 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.

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

**Review of Operations**

The most recent rollover Prospectus was issued on 5 February 2021. 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.

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

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Numbers</b>	<b>Fair value AUD</b>	<b>Numbers</b>	<b>Fair value in AUD</b>
ETFS Physical Platinum Securities	78,780	10,392,706	43,780	5,729,432
ETFS Physical Palladium Securities	30,993	9,013,971	14,993	3,879,773
ETFS Physical Silver Securities	6,741,689	219,115,354	3,951,689	96,107,256
ETFS Physical Gold Securities	8,872,815	2,042,434,404	5,515,145	1,121,886,247
ETFS Physical PM Basket Securities	97,511	19,912,096	56,511	9,999,860
	<b>15,821,788</b>	<b>2,300,868,531</b>	<b>9,582,118</b>	<b>1,237,602,568</b>

Pursuant to the arrangements under the Deed Poll outlined above, the Company recognised no income or expenses for the year ended 31 December 2020 (2019: AUD Nil).

**Coronavirus disease (COVID-19)**

On 11 March 2020, the Director-General of the World Health Organisation ("WHO") announced that the WHO had assessed the worldwide outbreak of COVID-19 as a pandemic. National governments and supranational organisations in multiple states have taken steps designed to protect their populations from COVID-19, including requiring or encouraging home working, the cancellation of sporting, cultural and other events and restricting or discouraging gatherings of people. COVID-19 has created market turmoil and increased market volatility generally. The steps outlined above, and public sentiment, may affect both the volatility and prices of commodities and hence the prices of the Securities, and such effects may be significant and may be long-term in nature.

The directors are closely monitoring the advice and developments relating to the spread of COVID-19, which is fluid and rapidly changing. The ETFS Capital Group has, and continues to implement measures to maintain the ongoing safety and well-being of employees, whilst continuing to operate business as usual.

**ETFs Metal Securities Australia Limited**  
**Directors' Report (Continued)**  
**For the year ended 31 December 2020**



### Future Developments

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 (2019: AUD Nil).

### Share Options Granted to Directors

No share options were granted or issued to directors or executives during the year (2019: Nil).

### Directors' remuneration

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.

### 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 7.

### Subsequent Events

The directors continued to monitor the impacts of COVID-19 on the business. 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.

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

DocuSigned by:  
*Graham Tuckwell*  
DB8639C4F290469...

**Graham J Tuckwell**  
Director

Melbourne  
Date: 15 March 2021

**ETFS Metal Securities Australia Limited**  
**Directors' Declaration**  
**For the year ended 31 December 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 12 to 25 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 2020 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 2020.
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

DocuSigned by:  
*Graham Tuckwell*  
DB8639C4F290469...  
**Graham J Tuckwell**  
Director

Melbourne

Date: 15 March 2021



# 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 as at the date of this declaration, both the Firm and I are independent in accordance with professional rules and statutory requirements on auditor independence. To the best of my knowledge and belief, in relation to the audit for the year ended 31 December 2020, the only matter which requires disclosure in relation to auditor independence requirements, as set out in the *Corporations Act 2001* or any applicable code of professional conduct, is the matter described below:

In late October 2020, a KPMG Partner in the office of the KPMG Lead Audit Engagement Partner, became aware of 27 shares held (via a superannuation product) by an immediate family member in ETFS Physical Gold which is issued by ETFS Metal Securities Limited. As a result, there was an inadvertent breach by KPMG of paragraph R510.4 of the APES 110 Code of Ethics for Professional Accountants. The KPMG Partner is not a member of the KPMG review team. The immediate family member disposed of this interest on 9 November 2020.

KPMG

KPMG

*K Hopkins*

Karen Hopkins  
*Partner*

Sydney  
15 March 2021



# Independent Auditor's Report

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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 2020 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 2020
- 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.

## Key Audit Matters

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.

This matter was 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 this matter.



Accounting for Redeemable Preference Shares	
Refer to Note 9 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>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 publicly traded on the Australian Stock Exchange, is the principal activity of the Company.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Assessed the accounting treatment of the redeemable preference shares, Metal Securities and Metal Entitlements against the requirements of the Australian Accounting Standards.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Assessed the reputation, professional competence and independence of the auditors of the independent audit controls reports.</li> <li>• 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.</li> </ul>



## 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.

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

[https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf). This description forms part of our Auditor's Report.

KPMG

Karen Hopkins  
*Partner*

Sydney  
15 March 2021

**ETFs Metal Securities Australia Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2020**



	Notes	Year ended 31 December	
		2020 AUD	2019 AUD
<b>Revenue</b>			
Net Gains/(Losses) on Financial Instruments	3	-	-
<b>Expenses</b>			
		-	-
<b>Profit Before Income Tax Expense</b>			
Income Tax	4	-	-
<b>Profit for the Year Attributable to Equity Holders of the Company</b>			
		-	-
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the Year</b>			
		-	-

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

**ETFs Metal Securities Australia Limited**  
**Statement of Financial Position**  
**For the year ended 31 December 2020**



	Notes	As at 31 December	
		2020 AUD	2019 AUD
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents		-	-
Receivable from Related Parties	6	407,919	407,856
Gold Bar	7	-	909,968
<b>Total Current Assets</b>		<b>407,919</b>	<b>1,317,824</b>
<b>Total Assets</b>		<b>407,919</b>	<b>1,317,824</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Overdraft Facility	8	-	909,968
Redeemable Preference Shares	9	159	96
<b>Total Current Liabilities</b>		<b>159</b>	<b>910,064</b>
<b>Total Liabilities</b>		<b>159</b>	<b>910,064</b>
<b>Net Assets</b>		<b>407,760</b>	<b>407,760</b>
<b>Equity</b>			
Issued Capital	10	250,100	250,100
Equity Contributions	11	360,000	360,000
Retained Earnings		(202,340)	(202,340)
<b>Total Equity</b>		<b>407,760</b>	<b>407,760</b>

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

**ETFs Metal Securities Australia Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2020**



	Note	Year ended 31 December	
		2020 AUD	2019 AUD
<b>Cash Flows Used In Operating Activities</b>			
Payments to Related Parties		(62)	(27)
Net Cash Used in Operating Activities	16	(62)	(27)
<b>Cash Flows generated from Financing Activities</b>			
Movement on Trading of Metal Securities		62	27
Net Cash generated from Financing Activities		62	27
<b>Net Decrease in Cash and Cash Equivalents</b>		-	-
Cash and Cash Equivalents at the Beginning of the Year		-	-
<b>Cash and Cash Equivalents at the End of the Year</b>		-	-

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

**ETFS Metal Securities Australia Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2020**



	Issued Capital AUD	Retained Earnings AUD	Other Reserves AUD	Total Equity AUD
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	<b>250,100</b>	<b>(202,340)</b>	<b>360,000</b>	<b>407,760</b>
Opening Balance at 1 January 2020	250,100	(202,340)	360,000	407,760
Total Comprehensive Income for the Year	-	-	-	-
Balance at 31 December 2020	<b>250,100</b>	<b>(202,340)</b>	<b>360,000</b>	<b>407,760</b>

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

**ETFs Metal Securities Australia Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2020**



## 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	ETPMPPM

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 15.

The financial report was authorised for issue by the directors on 15 March 2021. 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.

**ETFs Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



## **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 the 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.

While the COVID-19 pandemic has caused uncertainty and market volatility during the year, the Company has continued to follow its established policies and processes in preparing the financial report. No changes were required to the principles used in the measurement of assets and liabilities. The Directors have made an assessment of the impact of the COVID-19 pandemic on the results from operations and its financial position. In the opinion of the Directors, the Company’s results for the year and overall financial position as at 31 December 2020 have not been significantly impacted. The Directors will continue to monitor any potential impact that the pandemic may have on the operations of the Company and its financial position.

### **New and amended accounting standards adopted by the Company**

Various amendments to current accounting standards are effective from 1 January 2020, none of these amendments have any material impact on the Company.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2020 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.

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.

**ETFS Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



## **2. Accounting Policies (Continued)**

### **Gold Bar**

The gold bar asset was a hedged item in a designated fair value hedge and is recorded at fair value. Changes in fair value were recognised through profit or loss. Changes in the fair value of the Gold Bar through profit or loss were matched by an equal and opposite change in the fair value of the Overdraft Facility.

### **Overdraft Facility**

On 16 September 2019 an overdraft facility agreement was entered into by the Trustee with JPMorgan Chase Bank ("JPMorgan") (the "Overdraft Facility"), and the facility was utilised starting 8 January 2020, to facilitate the movement of Metal Bullion between unallocated and allocated physical stocks to ensure all Metal Securities issued by the Company are supported by holdings of Metal Bullion in allocated form. The Overdraft Facility is denominated in ounces of the underlying Metal Bullion, and is repayable in ounces of the underlying Metal Bullion.

Prior to the Overdraft Facility with JPMorgan, the Company had a gold overdraft facility with HSBC Bank USA, N.A, which was repayable in gold (see note 7). This loan was recorded at the fair value with movements recognised through profit or loss. Changes in the fair value of the Overdraft Facility through profit or loss were matched by an equal and opposite change in the fair value of the Gold Bar.

### **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.

### **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 Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



### 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 2020 (2019: AUD Nil). In accordance with this Deed Poll, ETFSA earns management fees of:

	Year ended 31 December	
	2020 AUD	2019 AUD
Management fees	8,064,361	3,695,183
Creation and redemption fees	-	-
<b>Total fee income</b>	<b>8,064,361</b>	<b>3,695,183</b>

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

### 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 2020 (2019: AUD Nil).

### 5. Auditors' Remuneration

	Year ended 31 December	
	2020 AUD	2019 AUD
Amount received or due and receivable by KPMG:		
Review of the Interim Financial Statements	9,900	9,700
Audit of the Financial Statements	18,270	18,000
<b>Total Auditors' remuneration</b>	<b>28,170</b>	<b>27,700</b>

The auditors' remuneration is paid or payable by ETFSA.

### 6. Receivable from Related Parties

	As at 31 December	
	2020 AUD	2019 AUD
Amount Receivable from ETFs Capital Limited ("ETFsCL")	407,919	407,856

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 14 (Related Party Disclosures).

**ETFs Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



**7. Gold Bar**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD</b>	<b>AUD</b>
Gold Bar	-	<b>909,968</b>

The gold bar asset was held pursuant to the previous overdraft facility with HSBC Bank USA, N.A. (“HSBC”) described further in note 7, and was recorded at fair value, based on the market value of gold (2019: AUD 2,166.59 per ounce). The gain on the fair value of the gold bar asset of AUD nil was recognised through profit or loss (2019: AUD 145,344), however this was offset in the Statement of Profit or Loss and Other Comprehensive income by the equal and opposite loss on the fair value of the Overdraft Facility resulting in a Net Gain/(Loss) on Financial Instruments of AUD Nil (2019: AUD Nil).

The agreement with HSBC was terminated on 8 January 2020 and the 420 fine troy ounces of gold were repaid to HSBC on that date.

The gold bar was classified as a Level 1 asset. Refer to note 15 for definitions of the fair value hierarchy.

**8. Overdraft Facility**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD</b>	<b>AUD</b>
Overdraft Facility	-	<b>909,968</b>

Gold Bullion Nominees Pty Limited (the “Trustee”) entered into an Overdraft Facility on 16 September 2019, and started utilising the facility on 8 January 2020, with JPMorgan that allows for the loan of up to one bullion bar of Gold, Silver, Platinum and Palladium. Prior to obtaining the Overdraft Facility with JPMorgan, the Company had previously entered into an agreement on 9 December 2004 for a no-interest at call facility, denominated in gold ounces, with HSBC for the loan of 420 fine troy ounces of gold. The agreement with HSBC was terminated on 8 January 2020 and the 420 fine troy ounces of gold were repaid to HSBC on that date. The repayment of the ounces of gold constitute a non-cash transaction for the Company, and accordingly this is not reflected in the Statement of Cash Flows.

From 8 January 2020, the Metal Bullion held through the Overdraft Facility is used by the Trustee to facilitate the movement of Metal Bullion between unallocated and allocated physical stocks to ensure all Metal Securities issued are supported by holdings of Metal Bullion in allocated form. Prior to 8 January 2020 the gold held through the agreement with HSBC was made available for use by the Trustee to ensure all Gold Securities issued were supported by holdings of gold in allocated form.

As at 31 December 2020 the Trustee had no Metal Bullion drawn under the Overdraft Facility (2019: The Company had 420 ounces of gold valued at 2,166.59 per ounce, drawn under the HSBC facility). A gain or loss on the fair value of the HSBC facility was recognised through profit or loss, as at 31 December 2020 of AUD nil (2019: AUD 145,344), however this was offset in the Statement of Profit or Loss and Other Comprehensive income by the equal and opposite gain on the fair value of the Gold Bar resulting in a Net Gain/(Loss) on Financial Instruments of AUD Nil (2019: AUD Nil).

**ETFS Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



**9. Redeemable Preference Shares**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD</b>	<b>AUD</b>
Redeemable Preference Shares (Metal Shares)	<b>159</b>	<b>96</b>

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 1/1,000<sup>th</sup> 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 quantities of Metal Securities on issue at the year end are as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
ETFS Physical Platinum Securities	78,780	43,780
ETFS Physical Palladium Securities	30,993	14,993
ETFS Physical Silver Securities	6,741,689	3,951,689
ETFS Physical Gold Securities	8,872,815	5,515,145
ETFS Physical PM Basket Securities	97,511	56,511
	<b>15,821,788</b>	<b>9,582,118</b>

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 and ETFS Physical Silver and ETFS Physical Precious Metals Basket). The metals were not brought to account by the Trustee or the Company as the Holders each class of Metal Security have the direct beneficial interest in the metal.

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Troy Ounces</b>	<b>Market Value in AUD</b>	<b>Troy Ounces</b>	<b>Market Value in AUD</b>
Platinum	8,346.456	11,679,066	4,683.172	6,468,983
Palladium	4,760.552	14,685,988	2,491.247	6,804,477
Gold	833,445.995	2,051,585,013	519,975.110	1,126,572,598
Silver	6,466,190.662	222,918,464	3,808,132.967	97,756,510
		<b>2,300,868,531</b>		<b>1,237,602,568</b>

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.

**ETFs Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
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**9. Redeemable Preference Shares (continued)**

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**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD</b>	<b>AUD</b>
250,100 Fully Paid Ordinary Shares (2019: 250,100)	<b>250,100</b>	<b>250,100</b>

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 ETFs (AUS) Pty Limited. There was no movement in the fully paid ordinary shares during the year (2019: nil).

It is intended the capital reserve remain at AUD 250,100 (2019: 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**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AUD</b>	<b>AUD</b>
Equity Contribution	<b>360,000</b>	<b>360,000</b>

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 at 31 December 2020 (2019: AUD Nil).

**13. Economic Support**

Pursuant to the Administration Services Deed Poll between the Company and ETFSA, all the operating costs relating to the Company, including gold storage, gold insurance, marketing and administration costs, are incurred and paid by ETFSA to enable the continued operation of the Company.

**14. Related Party Disclosures**

The immediate parent entity of the Company is ETFs (AUS) Pty Limited. ETFs Capital Limited ("ETFsCL"), a private company incorporated in Jersey, Channel Islands, 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.

Refer to note 6 Amount Receivable from Related Parties.

Mr Kristian J Walesby was a Director of the Company and also a shareholder in ETFs (AUS) Pty Limited.

**ETFs Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



## 15. 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 financial instruments 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 2020 as the Company has no interest-bearing financial assets or liabilities (2019: 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 Metal Bullion drawn under the Overdraft Facility due to changes in the market prices of metals and changes in the AUD to USD exchange rate would be offset as the Overdraft Facility is settled in the relevant Metal Bullion. Therefore, the Company would have negligible net exposure to fair value changes in respect of any Metal Bullion drawn under the Overdraft Facility, as the nominal value of redeemable preference shares is 1/1,000<sup>th</sup> of one cent. 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.

**ETFs Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



**15. Financial Risk Management (continued)**

e) *Three tier hierarchy of fair value*

The following table provides an analysis of financial 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).

All amounts in AUD	As at 31 December 2020		
	Level 1	Level 2	Level 3
<b>Liabilities</b>			
Redeemable Preference Shares	(159)	-	-
<b>As at 31 December 2019</b>			
All amounts in AUD	Level 1	Level 2	Level 3
<b>Assets</b>			
Gold Bar	909,968	-	-
<b>Liabilities</b>			
Gold Overdraft Facility	(909,968)	-	-
Redeemable Preference Shares	(96)	-	-

There were no transfers of financial instruments between Levels during the year (2019: nil).

**16. Notes to Cash Flow Statement**

	Year ended 31 December	
	2020 AUD	2019 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	(62)	(27)
Net Cash Used in Operating Activities	<b>(62)</b>	<b>(27)</b>

**ETFS Metal Securities Australia Limited**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2020**



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**17. Ultimate Controlling Party**

The ultimate controlling party of the Company is Graham J Tuckwell, through his majority shareholding in ETFS Capital Limited, a company incorporated in Jersey.

**18. Subsequent Events**

Whilst the COVID-19 pandemic continued to create uncertainty in global markets, there has been no significant impact on the Company since the end of the year.

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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