



Gold Bullion Securities Limited

Registered No: 87322

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

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The directors of Gold Bullion Securities Limited (“GBS” or the “Company”) submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2019.

Directors

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

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

Directors' Interests

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

Principal Activities

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

Review of Operations

The Gold Securities are listed on the London Stock Exchange, the Deutsche Börse, the Borsa Italia and NYSE Euronext Paris.

As at 30 June 2019, the Company had 26,348,478 (31 December 2018: 27,385,045) Gold Securities in issue, with assets under management of GBP 2,759.9 million (31 December 2018: GBP 2,592.3 million). The Company recognises its assets (“Gold Bullion”) and financial liabilities (“Gold Securities”) at fair value in the Condensed Statement of Financial Position.

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

	30 June 2019	30 June 2018
	GBP	GBP
Creation and Redemption Fees	8,319	3,078
Management Fees	5,408,556	5,479,383
Total Fee Income	5,416,875	5,482,461

Under the terms of the service agreement with ETFs Management Company (Jersey) Limited (“ManJer”), the Company accrued expenses equal to its income less its own administrative expenses, resulting in an operating result for the period of GBP Nil (30 June 2018: GBP Nil).

Review of Operations (continued)

The gain or loss on Gold Securities and Gold Bullion is recognised in the Condensed Statement of Profit or Loss and Other Comprehensive Income in line with the Company's accounting policy.

The Company holds Gold Bullion to support the Gold Securities as determined by the Gold Entitlement (which is calculated in accordance with an agreed formula published in the Prospectus). Gold Bullion is marked to fair value using the latest quote provided by the London Bullion Market Association ("LBMA").

The Company has entered into contractual obligations to issue and redeem Gold Securities in exchange for Gold Bullion as determined by the Gold Entitlement on each trading day. The Gold Bullion in respect of each creation and redemption is recorded using the price published by the LBMA on the transaction date.

IFRS 13 requires the Company to identify the principal market and to utilise the available market price within that principal market. The directors consider that the stock exchanges where the Gold Securities are listed to be the principal market and as a result the fair value of the Gold Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. As a result of the difference in valuation methodology between Gold Bullion and Gold Securities there is a mis-match between accounting values, and the results of the Company reflect a gain or loss on the difference between the value of the Gold Bullion (through the application of the price provided by the LBMA against the Gold Entitlement referred to within this financial statements as the "Contractual Value") and the market price of Gold Securities. This gain or loss would be reversed on a subsequent redemption of the Gold Securities and transfer of the corresponding Gold Bullion. This is presented in more detail in note 6 to these interim financial statements.

Future Developments

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

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

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

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

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

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

Directors' Remuneration

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

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

Directors' Remuneration (continued)

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

Going Concern

The nature of the Company's business dictates that the outstanding Gold Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Gold Securities would coincide with the transfer of an equal amount (in value) of Gold Bullion, no net liquidity risk is considered to arise. All other expenses of the Company are met by ManJer; therefore the directors consider the Company to be a going concern and have prepared the interim financial statements on this basis.

Directors Statement

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

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

On behalf of the directors



Hilary Jones

12 September 2019

	Notes	Period ended 30 June	
		2019 Unaudited GBP	2018 Unaudited GBP
Revenue	2	5,416,875	5,482,461
Expenses	2	(5,416,875)	(5,482,461)
Operating Result		-	-
Net Gain/(Loss) Arising on Contractual and Fair Value of Gold Bullion	4	263,784,374	(28,472,934)
Net (Loss)/Gain Arising on Fair Value of Gold Securities	5	(255,729,422)	29,410,220
Result and Total Comprehensive Income for the Period		8,054,952	937,286
¹ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Gold Securities	6	(8,054,952)	(937,286)
Adjusted Result and Total Comprehensive Income for the Period		-	-

The directors consider the Company's activities as continuing.

¹ An explanation of the non-statutory adjustment is set out on pages 10 and 11. This represents the movement in the difference between the Contractual Value of Gold Bullion and the market price of Gold Securities.

		As at	
	Notes	30 June 2019 Unaudited GBP	31 December 2018 Audited GBP
Current Assets			
Trade and Other Receivables		1,072,672	1,042,562
Amounts Receivable on Gold Bullion Awaiting Settlement	4	21,945,603	-
Amounts Receivable on Gold Securities Awaiting Settlement	5	2,076,310	-
Gold Bullion	4	2,759,852,770	2,592,365,050
Gold Swing Bar	3	476,517	432,344
Total Assets		2,785,423,872	2,593,839,956
Current Liabilities			
Gold Securities	5	2,748,277,997	2,588,845,229
Amounts Payable on Gold Securities Awaiting Settlement	5	21,945,603	-
Amounts Payable on Gold Bullion Awaiting Settlement	4	2,076,310	-
Trade and Other Payables		1,449,189	1,374,906
Total Liabilities		2,773,749,099	2,590,220,135
Equity			
Share Capital		100	100
Share Premium		99,900	99,900
Revaluation Reserve		11,574,773	3,519,821
Total Equity		11,674,773	3,619,821
Total Equity and Liabilities		2,785,423,872	2,593,839,956

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



Hilary Jones
Director

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

	Period ended 30 June	
	2019 Unaudited GBP	2018 Unaudited GBP
Operating Result for the Period	-	-
Non Cash Movement Due to Revaluation of Gold Swing Bar	(44,173)	4,407
	<u>(44,173)</u>	<u>4,407</u>
<i>Changes in Operating Assets and Liabilities</i>		
(Increase)/Decrease in Receivables	(30,110)	166,011
Increase/(Decrease) in Payables	30,118	(165,984)
Increase/(Decrease) in Gold Loan	44,173	(4,407)
Cash Generated from/(Used in) Operating Activities	<u>44,181</u>	<u>(4,380)</u>
<i>Cash Flows from Financing Activities</i>		
Decrease in Undated Zero Coupon Notes	(8)	(27)
Net Cash Flows from Financing Activities	<u>(8)</u>	<u>(27)</u>
Net Change in Cash and Cash Equivalents	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Period	<u>-</u>	<u>-</u>

Gold Securities are issued or redeemed by transfer of Gold Bullion and have been netted off in the Statement of Cash Flows.

	Notes	Stated Capital GBP	Share Premium GBP	Retained Earnings GBP	Revaluation Reserve ² GBP	Total Equity GBP	Adjusted Total Equity GBP
Audited Opening Balance at 1 January 2018		100	99,900	-	(1,979,707)	(1,879,707)	100,000
Result and Total Comprehensive Income for the Period		-	-	937,286	-	937,286	937,286
Transfer to Revaluation Reserve		-	-	(937,286)	937,286	-	-
³ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Gold Securities		-	-	-	-	-	(937,286)
Unaudited Balance at 30 June 2018		100	99,900	-	(1,042,421)	(942,421)	100,000
Unaudited Opening Balance at 1 July 2018		100	99,900	-	(1,042,421)	(942,421)	100,000
Result and Total Comprehensive Income for the Period		-	-	4,562,242	-	4,562,242	4,562,242
Transfer to Revaluation Reserve		-	-	(4,562,242)	4,562,242	-	-
³ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Gold Securities		-	-	-	-	-	(4,562,242)
Audited Balance at 31 December 2018		100	99,900	-	3,519,821	3,619,821	100,000
Audited Opening Balance at 1 January 2019		100	99,900	-	3,519,821	3,619,821	100,000
Result and Total Comprehensive Income for the Period		-	-	8,054,952	-	8,054,952	8,054,952
Transfer to Revaluation Reserve	6	-	-	(8,054,952)	8,054,952	-	-
³ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Gold Securities	6	-	-	-	-	-	(8,054,952)
Unaudited Balance at 30 June 2019		100	99,900	-	11,574,773	11,674,773	100,000

² This represents the difference between the Contractual Value of Gold Bullion and the market price of Gold Securities.

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

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

1. Accounting Policies

The main accounting policies of the Company are described below.

Basis of Preparation

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

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

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these interim financial statements is in respect of the valuation of Gold Bullion and Gold Securities held at fair value through profit or loss as disclosed in notes 4 and 5. Actual results could vary from these estimates.

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

Changed in Accounting Standards

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

2. Operating result

Operating result for the period comprised:

	Period ended 30 June	
	2019 Unaudited GBP	2018 Unaudited GBP
Creation and Redemption Fees	8,319	3,078
Management Fees	5,408,556	5,479,383
Total Revenue	5,416,875	5,482,461
ManJer Fees	(8,416,875)	(5,482,461)
Total Operating Expenses	(8,416,875)	(5,482,461)
Operating Result	-	-

3. Gold Swing Bar

The Company has a loan facility with HSBC Bank USA, N.A. giving the Company the rights, interest and title to a gold bar. The 430 (31 December 2018: 430) ounce gold bar is held for the purpose of facilitating the allocation of gold to holders of Gold Securities. The gold is recorded at market value using the last quote published by the LBMA being the PM fix on 28 June 2019 of GBP 1108.180 per oz (31 December 2018: AM fix of GBP 1,005.450 per oz). The loan is denominated in gold ounces and marked to fair value at the period end with movements recognised in the Condensed Statement of Profit of Loss and Other Comprehensive Income. The loan is repayable on demand. The Company intends to maintain the loan as long as the Company continues to operate.

4. Gold Bullion

	Period ended 30 June	
	2019 Unaudited GBP	2018 Unaudited GBP
Change in Fair Value	<u>263,784,374</u>	<u>(28,472,934)</u>
	As at	
	30 June 2019 Unaudited GBP	31 December 2018 Audited GBP
Gold Bullion Held at Fair Value	<u>2,759,852,770</u>	<u>2,592,365,050</u>

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

- The monetary amount receivable a result of unsettled redemptions of Gold Securities is GBP 21,945,603 (31 December 2018: GBP Nil).
- The monetary amount payable a result of unsettled creations of Gold Securities is GBP 2,076,310 (31 December 2018: GBP Nil).

All Gold Bullion assets have been valued using the PM fix on 28 June 2019 as published by the LBMA being the last fix price available at the period end.

5. Gold Securities in Issue

	Period ended 30 June	
	2019 Unaudited GBP	2018 Unaudited GBP
Change in Fair Value	<u>(255,729,422)</u>	<u>29,410,220</u>
	As at	
	30 June 2019 Unaudited GBP	31 December 2018 Audited GBP
Gold Securities at Fair Value	<u>2,748,277,997</u>	<u>2,588,845,229</u>

5. Gold Securities in Issue (continued)

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

- The monetary amount payable as a result of unsettled redemptions of Gold Securities is GBP 21,945,603 (31 December 2018: GBP Nil).
- The monetary amount receivable as a result of unsettled creations of Gold Securities is GBP 2,076,310 (31 December 2018: GBP Nil).

Gold Securities are secured, undated zero coupon notes with a face value of USD 0.00001. As at 30 June 2019, there were 26,348,478 (31 December 2018: 27,385,045) Gold Securities outstanding, with a face value, in aggregate, of GBP 208 (31 December 2018: GBP 216).

6. Adjustment from Market Value to Contractual Value of Gold Securities

Gold Bullion is priced on a daily basis based on the Gold Entitlement of the Gold Securities and the value of Gold Bullion using the appropriate fixing price provided by the London Bullion Market Association ("LBMA"). This price is calculated based on the formula set out in the Prospectus, and is referred to as the 'Contractual Value'.

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

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

Whilst the Gold Securities are quoted on the open market, the Company's liability relates to its contractual obligations to issue and redeem Gold Securities in exchange for Gold Bullion as determined by the Gold Entitlement on each trading day. The monetary value of each creation and redemption of Gold Securities recorded using the price provided by the LBMA on the transaction date, and is the "Contractual Value". Therefore, the issue and redemption of Gold Securities is recorded at a value that corresponds to the value of the Gold Bullion transferred in respect of the issue and redemption. As a result the Company has no net exposure to gains or losses on the Gold Securities and Gold Bullion.

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

	As at	
	30 June 2019	31 December 2018
	Unaudited GBP	Audited GBP
Gold Securities at Contractual Value	<u>2,759,852,770</u>	<u>2,592,365,050</u>
	Period ended 30 June	
	2019	2018
	Unaudited GBP	Unaudited GBP
Change in Contractual Value of Gold Securities	<u>(263,784,374)</u>	<u>28,472,934</u>

6. Adjustment from Market Value to Contractual Value of Gold Securities (continued)

Through the mis-matched accounting values, the results of the Company reflect a gain or loss which represents the movement in the cumulative difference between the value of the Gold Bullion and the market price of Gold Securities. This gain or loss is transferred to a Revaluation Reserve which is non-distributable. The results of the Company are adjusted through the presentation of a non-statutory movement entitled 'Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Gold Securities'.

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

	Period ended 30 June	
	2019 Unaudited GBP	2018 Unaudited GBP
Net Gain/(Loss) Arising on Contractual and Fair Value of Gold Bullion	263,784,374	(28,472,934)
Net (Loss)/Gain Arising on Contractual Value of Gold Securities	(255,729,422)	29,410,220
	8,054,952	937,286

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

	2018 Unaudited GBP	2017 Audited GBP
Balance brought forward at 1 January	3,519,821	(1,979,707)
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Bullion Securities:		
Period 1 January to 30 June	8,054,952	937,286
Period 1 July to 31 December	-	4,562,242
	8,054,952	5,499,528
Closing balance at 30 June / 31 December	11,574,773	3,519,821

7. Fair Value Hierarchy

The levels in the hierarchy are defined as follows:

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

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

7. Fair Value Hierarchy (continued)

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

The Company holds Gold Bullion to support the Gold Securities as determined by the Gold Entitlement (which is calculated in accordance with an agreed formula published in the Prospectus). Gold Bullion is marked to fair value using the latest quote provided by the LBMA. The Company has contractual obligations to issue and redeem Gold Securities in exchange for Gold Bullion as determined by the Gold Entitlement on each trading day. The monetary value of each creation and redemption of Gold Securities is recorded using the price provided by the LBMA on the transaction date applied to that Gold Entitlement. Therefore, Gold Bullion is classified as a level 2 asset, as the value is calculated using third party pricing sources supported by observable, verifiable inputs.

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

	Period ended 30 June 2019 Unaudited GBP	Year ended 31 December 2018 Audited GBP
Level 1		
Gold Securities	<u>(2,748,277,997)</u>	<u>(2,588,845,229)</u>
Level 2		
Gold Bullion	<u>2,759,852,770</u>	<u>2,592,365,050</u>

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

Gold Bullion is not considered to be a financial asset; however, it has been presented here for purposes of consistency with prior periods and to show a matching between assets and liabilities.

8. Related Party Disclosures

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

Fees charged by ManJer during the period:

	Period ended 30 June 2019 Unaudited GBP	2018 Unaudited GBP
ManJer Fees	<u>5,416,875</u>	<u>5,482,461</u>

The following balances were due to and from ManJer at the period/year end:

	As at 30 June 2019 Unaudited GBP	31 December 2018 Audited GBP
ManJer Fees Payable	(972,672)	(838,228)
Other Receivables	100,185	100,185
Balance Payable	<u>872,487</u>	<u>(738,043)</u>

8. Related Party Disclosures (continued)

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

Hilary Jones and Steven Ross are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer administration fees in respect of the Company of GBP 31,000 (30 June 2018: GBP 27,500), of which GBP 15,500 (30 June 2018: GBP 15,500) was outstanding at the period end.

9. Events Occurring After the Reporting Period

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

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