

令和4年12月期 決算短信（令和4年1月1日～令和4年12月31日）

令和5年5月8日

銘柄名	コード番号	連動対象指標	上場取引所 東京証券取引所	
			主要投資資産	売買単位
WisdomTree 金上場投資信託	1672	金価格	金	1
WisdomTree 銀上場投資信託	1673	銀価格	銀	10
WisdomTree 白金上場投資信託	1674	白金価格	白金	1
WisdomTree パラジウム上場投資信託	1675	パラジウム価格	パラジウム	1
WisdomTree 貴金属バスケット上場投資信託	1676	貴金属バスケット価格 <sup>(注)</sup>	金・銀・白金・パラジウム	1

(注) 貴金属バスケット価格は、金価格、銀価格、白金価格、パラジウム価格に基づいて算出されます。  
 なお、ETFS貴金属バスケット上場投信の一口当たりの貴金属は、およそ0.04ファイン・トロイ・オンスの金、およそ1.2トロイ・オンスの銀、およそ0.01トロイ・オンスの白金、およそ0.02トロイ・オンスのパラジウムの合計です。

外国投資法人 ウィズダムツリー・メタル・セキュリティーズ・リミテッド  
 代表者名 クリストファー・フォールズ  
 管理会社 ウィズダムツリー・マネジメント・ジャージー・リミテッド  
<https://www.wisdomtree.eu/en-gb/resource-library/prospectus-and-regulatory-reports#tab-2A942D42-5AA1-4008-9080-3C2DADB050A7>  
 代表者名 スティーブン・ロス  
 問合せ先責任者 TMI 総合法律事務所（中川秀宣） TEL 03-6438-5660  
 有価証券報告書提出予定日 令和4年6月30日提出  
 分配金支払い開始予定日 該当なし

I ファンドの運用状況

1. 2022年12月決算期の運用状況（令和4年1月1日～令和4年12月31日）

(1)資産内訳

(百万円未満切捨て)

		主要投資資産		合計（資産）	
		金額	構成比	金額	構成比
		百万円	%	百万円	%
WisdomTree 金上場投資信託	2022年12月決算期	647,483	(100)	647,483	(100)
	2021年12月決算期	761,321	(100)	761,321	(100)
WisdomTree 銀上場投資信託	2022年12月決算期	192,550	(100)	192,550	(100)
	2021年12月決算期	295,693	(100)	295,693	(100)
WisdomTree 白金上場投資信託	2022年12月決算期	63,086	(100)	63,086	(100)
	2021年12月決算期	87,406	(100)	87,406	(100)
WisdomTree パラジウム上場投資信託	2022年12月決算期	18,610	(100)	18,610	(100)
	2021年12月決算期	23,357	(100)	23,357	(100)

		百万円	%	百万円	%
WisdomTree 貴金属バスケット 上場投資信託	2022年12月決算期	22,173	(100)	22,173	(100)
	2021年12月決算期	22,832	(100)	22,832	(100)

(注) 主要投資資産は、令和5年4月29日午前零時（ロンドン時間2023年4月28日午後4時）現在のものとしてブルームバーグによって表示される為替レート（スポット・レート）（1米ドル=136.185円、1ポンド=170.934円）に基づいて円換算しています。（以下同じ）

## (2) 設定・償還実績

		前営業期間末 発行済口数 (①)	設定口数 (②)	償還口数 (③)	当営業期間末 発行済口数 (①+②-③)
WisdomTree 金上場投資信託	2022年12月決算期	千口 32,541	千口 5,260	千口 10,021	千口 27,781
	2021年12月決算期	41,104	3,876	12,438	32,541
WisdomTree 銀上場投資信託	2022年12月決算期	千口 101,094	千口 21,303	千口 58,588	千口 63,810
	2021年12月決算期	98,664	30,422	27,992	101,094
WisdomTree 白金上場投資信託	2022年12月決算期	千口 5,542	千口 1,754	千口 2,584	千口 4,712
	2021年12月決算期	6,360	2,369	3,187	5,542
WisdomTree パラジウム上場投資信託	2022年12月決算期	千口 969	千口 717	千口 865	千口 821
	2021年12月決算期	890	521	442	969
WisdomTree 貴金属バスケット 上場投資信託	2022年12月決算期	千口 1,209	千口 126	千口 157	千口 1,178
	2021年12月決算期	1,160	287	239	1,209

(注) 上記の設定・償還実績については、営業期末時点の未決済上場投信を含んでいません。

## (3) 基準価額

		総資産	負債 <sup>(注)</sup>	資産	売買単位当たり基準価額 ( (③/当営業期間末 発行済口数) × 売買単位)
WisdomTree 金上場投資信託	2022年12月決算期	百万円 647,483	百万円 -	百万円 647,483	円 23,306
	2021年12月決算期	761,321	-	761,321	23,395
WisdomTree 銀上場投資信託	2022年12月決算期	百万円 192,550	百万円 -	百万円 192,550	円 30,175
	2021年12月決算期	295,693	-	295,693	29,249
WisdomTree 白金上場投資信託	2022年12月決算期	百万円 63,086	百万円 -	百万円 63,086	円 13,386
	2021年12月決算期	87,406	-	87,406	15,769
WisdomTree パラジウム上場投資信託	2022年12月決算期	百万円 18,610	百万円 -	百万円 18,610	円 226,516
	2021年12月決算期	23,357	-	23,357	240,802
ETFS 貴金属バスケット 上場投資信託	2022年12月決算期	百万円 22,173	百万円 -	百万円 22,173	円 18,814
	2021年12月決算期	22,832	-	22,832	18,883

(注1) 売買単位は、金、白金、パラジウム及び貴金属バスケットについては1口、銀については10口となります。

(注2) 貴金属証券の一単位当たりの資産は、証券1単位当たりの基準価額に基づいたものとなっています。証券1単位当たりの基準価額は、相応する証券1単位当たりの貴金属エンタイトルメントに対応する値決めによる価格を乗じたものとなります。各々の種類の貴金属にかかる証券の裏付けとなっている貴金属ごとの総価値は、相応する証券の残高と等しくなります。このために、純資産額は零となり、総資産額は、証券の裏付けとなる貴金属の総額と等しくなります。

[参考] 外国投資法人の財政状態

	総資産額	総負債額	投資主持分額
	百万円	百万円	百万円
2022年12月決算期	1,350,401	1,354,661	-4,259
2021年12月決算期	1,685,477	1,684,116	1,361

(注1) 貴金属証券は、期限の定めのない、請求権の限定されている発行体による債務です。全出資口は、親会社であるウィズダムツリー・セキュリティーズ・リミテッドにより保有されています。投資主持分額は、総資産額から総負債額を差し引いたものです。

## 2. 継続企業の前提に関する注記

発行体の事業の性質上、未決済の貴金属上場投資信託は、認定参加者により、いつでも、また特定の状況においては個々の保有者により、償還されることがあり、また特定の状況においては、発行体により強制的に償還されることがあります。貴金属上場投資信託の償還は、常に金属地金の同額(価額)の譲渡と一致するため、流動性リスクは、重大な残存リスクがないように軽減されます。発行体のその他すべての費用は、管理事務代行会社が負担します。取締役は、サービス契約に基づく義務の履行に関して、管理事務代行会社の財務状況とパフォーマンス、運用資産、および関連する収益源を綿密に監視しています。貸借対照表上の純報告ポジションは、赤字が報告された場合を含めて、IFRSに準拠した会計上の測定基準に基づく金属地金及び貴金属上場投資信託の未実現損益にのみ起因するものであるため、当社の継続企業の前提に影響を与えとは考えられません。

また、貴金属上場投資信託を支援するために金属地金が保有されているため、未実現ポジションに計上された欠損金または剰余金は、その後の貴金属上場投資信託の償還および関連する金属地金の解約に伴い、取り崩されることとなります。報告された欠損は、発行体の支払能力に関する問題を示すものではないと考えられ、また、取締役は、貴金属上場投資信託に関して発生する義務は、貴金属上場投資信託に適用されている目論見書の条件に従って管理することができると確信しています。取締役は、発行体が2024年4月30日まで事業活動を継続するための十分な資源を有していると合理的に期待して、発行体の事業活動を継続していると考えており、従って、これらの財務諸表は継続企業ベースで作成されています。

## 3. 会計方針の変更

① 会計基準等の改正に伴う変更 有・無

② ①以外の変更 有・無

(a) 発行体が検討する基準、修正および解釈指針:

以下の基準が、改訂、発行、施行されましたが、発行体には適用されないと判断しています。

- ＞ IFRS第3号企業結合の変更
- ＞ IFRS第4号保険契約の変更
- ＞ IFRS第16号リース契約の変更
- ＞ IAS第37号の規定、偶発債務および偶発資産の修正
- ＞ IFRSの年次改善

当連結会計年度において、これらの財務諸表に重要な影響を及ぼした新たな基準、修正および解釈はありませんでした。

(b) 公表済みであるが未発効の新規および改訂されたIFRS:

発行体は、公表済みであるが、まだ効力を有していない以下の新IFRSおよび改訂IFRSを適用していません。

- ＞ IFRS第17号「保険契約」(2023年1月1日以降に開始する年度から適用)
- ＞ IAS第8号「会計方針の変更」及び「会計上の見積りの変更」の修正(2023年1月1日以降に開始する会計年度から適用)
- ＞ IAS第12号「繰延税金」の修正(2023年1月1日以降に開始する年度から適用)
- ＞ IAS第1号「財務諸表の表示」(2024年1月1日以降に開始する会計年度から適用)の変更
- ＞ IFRS第16号リース契約の変更(2024年1月1日以降に開始する年度から適用)

取締役は、公表済みであるが未発効の上記の基準、修正及び解釈指針の適用による将来の期間における発行体の財務諸表に対する重要な影響はないと見込んでいます。



## **WisdomTree Metal Securities Limited**

**Registered No: 95996**

**Annual Report and Audited Financial Statements for the  
Year ended 31 December 2022**

## WisdomTree Metal Securities Limited



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## WisdomTree Metal Securities Limited

### Management and Administration

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#### **Directors**

Stuart Bell  
Christopher Foulds  
Steven Ross  
Peter Ziemba

#### **Administrator**

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

#### **Registered Office**

Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

#### **Registrar**

Computershare Investor Services (Jersey) Limited  
13 Castle Street  
St Helier  
Jersey, JE1 1ES

#### **Manager**

WisdomTree Management Jersey Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

#### **Trustee**

The Law Debenture Trust Corporation plc  
8th Floor  
100 Bishopsgate  
London, EC2N 4AG  
United Kingdom

#### **Custodian**

HSBC Bank plc  
8 Canada Square  
London, E14 5HQ  
United Kingdom

#### **Swiss Gold Custodian**

JP Morgan Chase Bank, NA  
London Branch  
25 Bank Street  
Canary Wharf  
London, E14 5PJ  
United Kingdom

#### **Auditor**

Ernst & Young LLP  
Liberation House  
Castle Street  
St Helier  
Jersey, JE1 1EY

#### **Jersey Legal Advisers**

Mourant Ozannes  
22 Grenville Street  
St Helier  
Jersey, JE4 8PX

#### **Company Secretary**

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



## WisdomTree Metal Securities Limited

### Directors' Report



The directors of WisdomTree Metal Securities Limited ("MSL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2022.

#### Directors

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

Stuart Bell  
 Christopher Foulds  
 Steven Ross  
 Peter Ziembra

#### Directors' Interests

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

#### Principal Activities

The Company's principal activity is the issue and listing of metal securities ("Metal Securities"). Metal Securities allow investors to gain exposure to the precious metals market without needing to take physical delivery of platinum, palladium, silver and gold bullion ("Metal Bullion"). It also allows investors to buy and sell that interest through the trading of a security on the London Stock Exchange and any other exchange to which that security may be admitted to trading from time to time.

A Metal Security is an undated secured limited recourse debt obligation of the Company, constituted by a trust instrument. Under the terms of this trust instrument the Metal Securities are secured on an amount of Metal Bullion equivalent to the entitlement of each Metal Security (referred to as the "Metal Entitlement"), which is calculated in accordance with an agreed formula published in the Prospectus. This Metal Bullion is held in custody by designated custodians or their sub-custodians and the subject of fixed and floating charges in favour of the Trustee. Metal Bullion, once deposited, may only be removed after approval from the Trustee.

A holder of a Metal Security is entitled to require the redemption of that Metal Security and receive an amount of Metal Bullion equal to the Metal Entitlement on the date of redemption (and subject to applicable redemption fees):

- in the case of an authorised participant or any holder of WisdomTree Physical Swiss Gold Securities and WisdomTree Core Physical Gold Securities – at any time; or
- in the case of any other holder – only in circumstances where there are no authorised participants (or otherwise as determined by the Company), and where the holder has an unallocated bullion account and the holder is not an Undertaking for Collective Investment in Transferable Securities ("UCITS").

The Company earns a management fee by reducing the Metal Entitlement of each class of Metal Security on a daily basis by an agreed amount (the "Management Fee") as set out below:

The Company has entered into a service agreement with WisdomTree Management Jersey Limited ("ManJer" or the "Manager"), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company (including marketing), as well as the payment of costs relating to the listing and issue of Metal Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the aggregate of the Management Fee and the creation and redemption fees (the "ManJer Fee"). The Metal Bullion in respect of the Management Fee is transferred in the form of bullion on a monthly basis (in arrears) following agreement from the Trustee from the Company's custodian accounts directly to ManJer. In addition, creation and redemption fees are transferred directly to ManJer and there are no cash flows through the Company.

## WisdomTree Metal Securities Limited

### Directors' Report (Continued)



#### Review of Operations

The most recent Prospectus was issued on 23 November 2022. As at 31 December 2022, the Company had the following classes of Metal Securities in issue and admitted to trading on the following exchanges:

	London Stock Exchange	Borsa Italiana	Deutsche Börse	NYSE- Euronext Amsterdam	Tokyo Stock Exchange	Bolsa Mexicana de Valores
WisdomTree Physical Platinum	✓	✓	✓	✓	✓	-
WisdomTree Physical Palladium	✓	✓	✓	✓	✓	-
WisdomTree Physical Silver	✓	✓	✓	✓	✓	-
WisdomTree Physical Gold	✓	✓	✓	✓	✓	-
WisdomTree Physical PM Basket	✓	✓	✓	✓	✓	-
WisdomTree Physical Swiss Gold	✓	✓	✓	✓	-	✓
WisdomTree Core Physical Gold	✓	✓	✓	-	-	-

The Company holds Metal Bullion to support the Metal Securities as determined by the Metal Entitlement. Metal Bullion is marked to fair value using the latest price published by the London Bullion Market Association ("LBMA"). The Company has entered into contractual obligations to issue and redeem Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement of each class of Metal Security on each trading day. The Metal Bullion in respect of each creation and redemption is recorded using the price published by the LBMA on the transaction date. The fair value of assets under management as at 31 December amounted to:

	2022		2021	
	Troy Ounces	USD	Troy Ounces	USD
Platinum	447,216.011	476,285,076	526,955.314	506,931,012
Palladium	97,887.110	175,022,144	112,745.667	217,373,645
Gold	4,430,352.576	8,029,349,404	5,347,039.449	9,732,146,504
Silver	60,387,655.346	1,445,982,053	95,408,064.070	2,202,495,151
		<b>10,126,638,677</b>		<b>12,658,946,312</b>

The Company has entered into overdraft agreements with the custodians (one with JP Morgan Chase Bank, NA, and two with HSBC Bank plc). Each agreement allows for the loan of up to one bullion bar of gold (collectively the "Overdraft Facility"). The gold held under the Overdraft Facility (the "Metal Bullion on Loan") is used by the Company to ensure all WisdomTree Physical Swiss Gold Securities, WisdomTree Physical Gold Securities and WisdomTree Core Physical Gold Securities, respectively, are supported by holdings of gold in allocated form.

IFRS 13 requires the Company to identify the principal market for the Metal Securities and to utilise the available price within that principal market. The directors consider the stock exchanges where the Metal Securities are listed to be the principal market and as a result the fair value of the Metal Securities is the on-exchange price as quoted on the stock exchange demonstrating active trading with the highest trading volume on each day that the price is obtained.

As a result of the difference in valuation between Metal Bullion and Metal Securities there is a mis-match between the values recognised, and the results of the Company reflect a gain or loss on the difference between the value of the Metal Bullion (through the application of the price published by the LBMA against the Metal Entitlement, referred to within these financial statements as the "Contractual Value") and the price of Metal Securities.

**WisdomTree Metal Securities Limited****Directors' Report (Continued)****Review of Operations (continued)**

The Company recognises its assets (Metal Bullion) and financial liabilities (Metal Securities) at fair value in the Statement of Financial Position. The gain or loss on Metal Securities and Metal Bullion is recognised through profit or loss in line with the Company's accounting policy. This is presented in more detail in notes 7 and 8 to these financial statements.

The Company is entitled to:

- A Management Fee which is calculated by reducing the Metal Entitlement of each class of Metal Security on a daily basis by an agreed amount (as set out below); and
- Creation and redemption fees on the issue and redemption of the Metal Securities.

The Management Fee rates for each class of Individual Metal Security are:

	<u>% Rate (p.a)</u>
• WisdomTree Physical Platinum	0.49
• WisdomTree Physical Palladium	0.49
• WisdomTree Physical Gold	0.39
• WisdomTree Physical Swiss Gold	0.15
• WisdomTree Core Physical Gold	0.12
• WisdomTree Physical Silver	0.49

The Management Fee for WisdomTree Physical Precious Metals Basket Security is the total of the Metal Entitlements of the Individual Metal Securities of which it is made up: Platinum – 0.1; Palladium – 0.2; Silver – 1.2; and Gold – 0.4 (therefore the Management Fee rate being applied is in respect of those Individual Metal Securities).

During the year, the Company generated income from creation and redemption fees and Management Fees as follows:

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	41,810	39,315
Management Fees	38,346,513	47,297,315
Total Fee Income	<b>38,388,323</b>	<b>47,336,630</b>

The change in Metal Entitlement of each class of Metal Security reduces the value of the Metal Securities. This reduction equates to the Management Fee amount in Metal Bullion, that is recognised for that day per each Metal Security in issue on that day. The Management Fees are accrued and recognised on a daily basis until invoiced and settled by transfer of the Metal Bullion. The amount recognised as income is calculated by applying the average LBMA Price to the total Management Fee accrued on a monthly basis.

**Non-GAAP Performance Measures**

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the Management Fee and creation and redemption fees, which, after taking into account other operating income and expenses, resulted in a result before fair value movements for the year of USD Nil (2021: USD Nil).

As the difference in the valuation of Metal Bullion (held to support the Metal Securities) and Metal Securities would be reversed on a subsequent redemption of the Metal Securities and transfer of the corresponding Metal Bullion (as described further in note 8), the Company presents an adjusted Statement of Profit or Loss and Total Comprehensive Income and an adjusted Statement of Changes in Equity in note 16 of the financial statements.

**Review of Operations (continued)***Ukraine Invasion*

On 24 February 2022, Russia engaged in military actions in the sovereign territory of Ukraine (the "Crisis"). The Crisis has resulted in the implementation of sanctions and further actions by governments which, as well as the Crisis itself, have impacted financial and commodities markets. In response to sanctions imposed on Russia by the United Kingdom, United States and European Union, on 7 March 2022 the LBMA suspended six Russian refiners (the "Russian Refiners") from the Good Delivery List (the "Suspension"). As a result of the Suspension, Metal Bullion bars produced after 7 March 2022 by the Russian Refiners will not be considered Good Delivery unless and until the LBMA further amends its Good Delivery Rules. In line with the LBMA's Good Delivery Rules, Metal Bullion bars received from the Russian Refiners prior to 7 March 2022 still fall within the Good Delivery Rules and can be traded within the London Good Delivery system. Prior to the Suspension, the Company received silver and gold from six Russian Refineries; in line with the Good Delivery Rules, these bars meet the Good Delivery Rules and constitute Good Delivery.

The Company will only accept Metal Bullion bars which constitute Good Delivery and meet the Good Delivery Rules set by the LBMA. Therefore, as a result of the Suspension, the Company does not accept Metal Bullion bars that the Russian Refineries produced after 7 March 2022 (until there is an amendment to the Good Delivery Rules). This may impact the price and liquidity of existing and newly sourced Good Delivery Metal Bullion bars and hence may adversely affect the trading market and price for Metal Securities and may cause the value of Metal Securities to decline or increase in value.

As the Crisis continues, the board of directors (the "Board") also continues to closely monitor and assess the impact on the Company's portfolio operations and valuation and will take any further actions needed or as required under the terms of the Prospectus, as facts and circumstances are subject to change and may be specific to investment strategies and jurisdictions. Whilst it is not currently possible to predict future market conditions and therefore determine if any further action may be required, the action that may be required includes, but is not limited to, temporarily not accepting applications for Metal Securities, temporarily suspending Metal Securities from trading on Stock Exchanges or a compulsory redemption of Metal Securities. The Company has not initiated any of these further actions to date (see Future Developments below for other actions taken). Any such action will be undertaken in accordance with the constitutive documents of the Metal Securities.

*Coronavirus disease (COVID-19)*

The Board continues to monitor the advice and developments relating to COVID-19. The WisdomTree group has and continues to implement measures to maintain the ongoing safety and well-being of employees, whilst continuing to operate business as usual.

**Future Developments**

On 8 March 2023 the Company entered into an agreement with the Trustee and the Custodian to enable the Custodian to remove the gold bars within the Company's custody accounts manufactured by Russian refiners and to replace them with bars that are not manufactured by Russian refiners. The exchange was completed on the same working day, with no impact on the total amount and value of gold held. As a result there are currently no gold bars held from Russian Refineries.

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 financial statements.

**Going Concern**

The nature of the Company's business dictates that the outstanding Metal Securities may be redeemed at any time by Authorised Participants and in certain circumstances by individual holders and also, in certain circumstances, may be compulsorily redeemed by the Company. As the redemption of Metal Securities will always coincide with the transfer of an equal amount (in value) of Metal Bullion, liquidity risk is mitigated such that there is no material residual risk. All other expenses of the Company are met by ManJer. The directors closely monitor the financial position and performance of ManJer, its assets under management, and therefore its related revenue streams, in respect of fulfilling the obligations under the services agreement. The net reported position on balance sheet, including in instances where a deficit is reported, is not considered to impact the going concern position of the Company as this position results solely due to the unrealised gains or losses on Metal Bullion and Metal Securities due to the accounting measurement basis applied in accordance with IFRS. As Metal Bullion are held to support Metal Securities, any deficit or surplus reported on unrealised positions would be reversed on a subsequent redemption of the Metal Securities and the related cancellation of Metal Bullion. A reported deficit is not considered indicative of any issues relating to solvency of the Company and the directors are satisfied that any obligations arising in respect of the Metal Securities can be managed in accordance with the terms of the applicable Prospectus. The directors consider the operations of the Company to be ongoing, with a reasonable expectation that the Company has adequate resources to continue in operational existence until 30 April 2024, and accordingly these financial statements have been prepared on the going concern basis.

**Dividends**

There were no dividends declared or paid in the year (2021: USD nil). It is the Company's policy that dividends will only be declared when the directors are of the opinion that there are sufficient distributable reserves.

**Corporate Social Responsibility**

Sustainability and corporate responsibility are embedded throughout the business of the WisdomTree group as we believe this benefits shareholders and employees of the WisdomTree group, investors in WisdomTree's products as well as wider society.

Environmental, Social and Governance ("ESG") investing is guided at the WisdomTree Inc, group level by an ESG Steering Committee, which includes senior leaders from across the WisdomTree Inc, group business, and which included several sub-committees focused on particular ESG considerations, such as improving data and transparency into the ESG attributes of WisdomTree's products. Particular ESG considerations relevant to the Company's products are overseen by the directors, leveraging the work undertaken by the ESG Steering Committee. More information on WisdomTree's corporate social responsibility strategy can be found on the WisdomTree website (<https://www.wisdomtree.eu/en-gb/wisdomtree-corporate-responsibility>).

The Board acknowledges that climate change and its impact on the global economy is of increasing interest and focus for stakeholders and that, where relevant, stakeholders will seek information from companies regarding how climate change is expected to impact the operations of the business and how climate change risk has been considered in the context of reported results.

In acknowledging the above, the Board has considered the Company's exposure to climate change and determined that due to the nature of the Company and its operations there are no directly observed impacts of climate change on the business. As a result, the Board concluded that there is no basis on which to provide extended information of analysis relating to climate change, including as part of the basis of accounting or individual accounting policies adopted by the Company.

In the above determination, the Board has concluded specifically that climate change, including physical and transition risks, does not have a material impact on the recognition and separate measurement considerations of the assets and liabilities in these financial statements as at 31 December 2022.

This conclusion is based on the fact that assets are reported at fair value under IFRS, and as set out in note 13 are categorised as level 2 due to the use of observable, verifiable inputs, including use of third party information sources within the agreed pricing formulae (set out in the Prospectus). The liabilities are valued utilising listed market prices at the period end. These observable inputs and market prices will reflect wider market sentiment, which inherently includes market perspectives relating to the impact of climate change.

## WisdomTree Metal Securities Limited

### Directors' Report (Continued)



#### Corporate Social Responsibility (continued)

The Board recognises that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets and liabilities may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently.

#### Directors' Remuneration

No director has a service contract with the Company. The directors of the Company who are employees within the WisdomTree, Inc group do not receive separate remuneration in their capacity as directors of the Company. The directors of the Company who are employees of R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") do not receive separate remuneration in their capacity as directors of the Company, however R&H receives a fee from ManJer which includes services in respect of the Company, including for the provision of directors who are employees of R&H.

Prior to 30 June 2022, R&H specified the fees for the provision of Steven Ross and Christopher Foulds as directors at £8,000 per annum. Following a restructuring of the fee methodology effective from 1 July 2022, the fee for the provision of Steven Ross and Christopher Foulds as directors is not separately identified and accordingly, no directors' fees are separately disclosed.

#### Employees

The Company does not have any employees. It is the Company's policy to use the services of specialist subcontractors or consultants as far as possible.

#### Auditor

The Independent Auditor is Ernst & Young LLP. A resolution to re-appoint Ernst & Young LLP will be proposed at the next Board meeting of the directors.

#### Principal Risks and Uncertainties

The Metal Securities provide investors with exposure to precious metals. Each Metal Security is a debt instrument whose redemption price is linked to the value of the relevant underlying Metal Bullion. Each class of Metal Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Metal Bullion held to support the Metal Securities and not to the Metal Bullion of any other class of Metal Security or the Company.

Any movements in the value of the Metal Bullion are wholly attributable to the holders of the Metal Securities, therefore the Company has no residual exposure to movements in the value of the Metal Bullion. From a commercial perspective the Company does not retain any net gains or losses or net risk exposures, as (with the exception of the impact of management fees) the gains or losses on the liability represented by the Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion (see detail on page 3 regarding the accounting mis-match).

Furthermore, the Company has an obligation to remunerate ManJer with the ManJer Fee, which results in the Company recognising a result before fair value movements of nil for each period. As a result, the principal risks and uncertainties to which the Company is exposed has not materially changed during the year ended 31 December 2022.

There is an inherent risk from the point of view of investors as the values of Metal Bullion, and thus the value of the Metal Securities, may vary widely due to, amongst other things, changing supply and demand for Metal Bullion, government and monetary policy or intervention, interest rate levels and global or regional political, economic or financial events. The market price of Metal Securities is (and will remain) a function of supply and demand amongst investors wishing to buy and sell Metal Securities and the bid or offer spread that the market makers are willing to quote.

## WisdomTree Metal Securities Limited

### Directors' Report (Continued)



#### Principal Risks and Uncertainties (continued)

The fair value the Metal Securities as at 31 December amounted to:

	2022		2021	
	Number	USD	Number	USD
WisdomTree Physical Platinum Securities	4,712,551	463,243,763	5,542,870	492,705,714
WisdomTree Physical Palladium Securities	821,578	136,653,069	969,979	171,511,687
WisdomTree Physical Gold Securities	27,781,015	4,754,442,907	32,541,761	5,590,349,122
WisdomTree Physical Swiss Gold Securities	15,399,509	2,693,528,119	20,808,409	3,643,552,416
WisdomTree Core Physical Gold Securities	2,941,994	534,071,216	2,266,130	411,676,506
WisdomTree Physical Silver Securities	63,810,780	1,413,887,357	101,094,852	2,171,264,684
WisdomTree Physical Precious Metals Securities	1,178,529	162,819,673	1,209,129	167,657,825
		<b>10,158,646,104</b>		<b>12,648,717,954</b>

Further information on the contractual value of the Metal Securities on a daily basis can be found on the WisdomTree website (<https://www.wisdomtree.eu/en-gb/products>).

Movements in the value of the underlying Metal Bullion, and thus the value of the Metal Securities, may vary widely which could have an impact on the demand for the Metal Securities issued by the Company. The movement in the prices of the Metal Bullion are:

	LBMA Price USD		Movement %
	2022	2021	
Platinum	1,065.000	962.000	10.71%
Palladium	1,788.000	1,928.000	(7.26%)
Gold	1,812.350	1,820.100	(0.43%)
Silver	23.945	23.085	3.73%

#### 2022 Review

Gold is seen as the foremost precious metal, having been used as a currency and a method for storing wealth in the past and this is because there are large above-ground stocks which can be quickly mobilised – this liquidity often resulting in gold acting more like a currency than a commodity. Although inflation was supportive of gold last year, the aggression with which central banks acted to tighten monetary policy strengthened the US dollar and lifted Treasury yields creating headwinds for precious metals.

With exception of palladium, the price of each of the precious metals generally decreased through the first three quarters of the year ended 31 December 2022 and sentiment towards gold, measured by speculative positioning in gold futures, had fallen to the lowest levels since April 2019 in September 2022. However, in the US, the consumer price index (CPI) inflation fell for its sixth straight month in December, moderating to 6.5% vs 7.1% in November, reinforcing market consensus that the pace of rate increases from the Federal Reserve could slow down. As a result, investor sentiment in gold has been on the rise since November and the price had largely recovered by 31 December 2022.

Like gold, silver has also been used as a currency in the past. However, the main differences between gold and silver is that more than half of gold demand comes from jewellery while more than half of silver demand comes from industrial uses and therefore silver is affected by the dynamics of industrial metals as well, which often generates more price volatility. Silver prices followed a similar trend gold during the year ended 31 December 2022, with golds recovery also enabling silver to bounce back.

**2022 Review (continued)**

Platinum and palladium are the two best known metals of the six platinum group metals (PGMs) as they have the greatest economic importance and are found in the largest quantities. Palladium, mostly used as a catalyst in car engines to scrub pollutants from exhaust fumes, as well in making microchips. The continued fall in the price of palladium in the second half of the year ended 31 December 2022, whilst other precious metals saw recovery, is considered, in part to be a price correction given palladium has more recently outperformed those other precious metals. The price fall is also in part due to the ongoing fall in automobile production since the start of the COVID pandemic.

Platinum is currently cheaper than Palladium and has similar chemical properties. Unlike palladium, platinum prices fell through the first half of the year ended 31 December 2022, however, there was not only a recovery, but gains in the second half of the year which resulted in an overall increase of over 10% when compared to the price as at 31 December 2021, and this recovery potentially being because platinum has been seen as the underperforming precious metal for some time now.

**Future Outlook**

2023 looks set to continue the recent challenge of meaningfully predicting prices and volatility for precious metals, largely because of the continuing Ukraine Crisis, with the impact of ongoing financial sanctions, in addition to potential future supply issues, particularly as Russia is a significant source of supply of palladium. Furthermore, whilst the risk of escalating conflict has also set many investors returning to gold as a safe haven, if in 2023, China's lockdowns are lifted for good, and the economic engine starts firing again, fuelled by accommodative monetary policy, this could be the catalyst for wider market recovery, including those precious metals with industrial uses and spur further price rallies.

Additional information on other financial and operational risks and uncertainties faced by the Company, including further details surrounding the value of Metal Securities and the Metal Bullion are disclosed in note 13 of these financial statements.

**Corporate Governance**

There is no standard code of corporate governance in Jersey. The operations, as previously described in the directors' report, are such that the directors have determined that the Company is not required to apply, and has elected not to voluntarily apply, the UK Corporate Governance Code.

As the Board is small, there is no nomination committee and appointments of new directors are considered by the Board as a whole. The Board does not consider it appropriate that directors should be appointed for a specific term. Furthermore, the structure of the Board is such that it is considered unnecessary to identify a senior non-executive director.

The constitution of the Board is disclosed on page 1. The Board meets regularly as required by the operations of the Company, but at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review.

**Internal Control**

During the year the Company did not have any employees or subsidiaries, and there is no intention that this will change. The Company, being a special purpose company established for the purpose of issuing Metal Securities, has not undertaken any business, save for issuing and redeeming Metal Securities, entering into the required documents and performing the obligations and exercising its rights in relation thereto, since its incorporation. The Company does not intend to undertake any business other than issuing and redeeming Metal Securities and performing the obligations and exercising its rights in relation thereto.



**WisdomTree Metal Securities Limited****Directors' Report (Continued)****Internal Control (continued)**

The Company is dependent upon ManJer to provide management and administration services to it. ManJer is licensed under the Financial Services (Jersey) Law 1998 to conduct classes U and Z of Fund Services Business. ManJer outsources the administration services in respect of the Company to the Administrator. Documented contractual arrangements are in place with the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an ongoing basis by the Board through their review of periodic reports.

ManJer provides management and other services to both the Company and other companies issuing commodity and index tracking securities.

The Board, having reviewed the effectiveness of the internal control systems of the Manager and the Administrator, does not consider that there is a need for the Company to establish its own internal audit function.

**Audit Committee**

The Board has not established a separate audit committee; instead the Board meets to consider the financial reporting by the Company, the internal controls, and relations with the external auditors. In addition, the Board reviews the independence and objectivity of the auditor.

**Christopher Foulds**

Director

Jersey

19 April 2023

## WisdomTree Metal Securities Limited

### Statement of Directors' Responsibilities

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The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

With regard to Directive 2004/109/EC, amended by Directive 2013/50/EU (collectively the Transparency Directive), the Central Bank (Investment Market Conduct) Rules of the Central Bank of Ireland and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors confirm that to the best of their knowledge that:

- the financial statements for the year ended 31 December 2022 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 IFRS as issued by the IASB; and
- the Directors' Report gives a fair view of the development and performance of the Company's business, including financial position and the important events that have occurred during the year, and their impact on these financial statements, together with a description of the principal risks and uncertainties they face.

By order of the Board

**Christopher Foulds**  
Director  
Jersey  
19 April 2023



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE METAL SECURITIES LIMITED**

### **Opinion**

We have audited the financial statements of WisdomTree Metal Securities Limited (the "company") for the year ended 31 December 2022 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with IFRS; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- ▶ We obtained an understanding of management's rationale for using the going concern basis of accounting and confirmed our understanding of management's Going Concern assessment process including the process they adopted to capture all key factors in their assessment;
- ▶ We obtained management's board approved going concern assessment covering the period of assessment from the date of signing to 30 April 2024. Management's assessment has focussed on a combination of;
  - ▶ Assessing the ongoing viability of the company through continued involvement of its Custodian and Authorised Participants;
  - ▶ Assessing the ongoing ability of WisdomTree Management Jersey Limited ("ManJer") to continue to meet its obligations as manager and pay all expenses of the Company. This includes consideration of the assets under management of all managed issuer entities ("Issuer Platform") which includes this Company. In assessing this ability we considered the fixed and variable operating costs that could be supported under varying levels of total assets under management for the Issuer Platform.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE METAL SECURITIES LIMITED (continued)

- ▶ Using our understanding of the business, we evaluated whether the considerations and method adopted by management in assessing going concern was appropriate.
- ▶ We performed reverse stress testing on the forecasts to understand how severe the downside scenarios would have to be, and in particular the reduction in platform assets under management, to result in the platform generating insufficient management fees to cover operating costs. We observed significant headroom in management fee income, at current Assets Under Management ("AUM") levels, in excess of fixed costs which supports management's assumption that the Issuer Platform is able to absorb heightened levels of volatility in AUM.
- ▶ We considered whether management's disclosures, in the Annual Report and financial statements, sufficiently and appropriately discloses information required in respect of the going concern assumption applied through consideration of relevant disclosure standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern over the period to 30 April 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Overview of our audit approach

Key audit matters	▶ Valuation of Financial Liabilities at fair value through profit and loss – Metal Securities
Materiality	▶ Overall materiality of US\$101.4m which represents 1% of total assets.

### An overview of the scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, changes in the business environment and the potential impact of climate change when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

#### Changes from the prior year

There were no scoping changes compared to the prior year.

#### Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The company has determined that there are no directly observed impacts of climate change on the business due to the nature of the company and its operations. This is explained on page 6 in the corporate social responsibility section, which form part of the "Other information," rather than the audited financial statements.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE METAL SECURITIES LIMITED (continued)**

Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, the adequacy of the company's disclosures in the financial statements as set out in note 2 and conclusion that there was no further impact of climate change to be taken into account as the material assets and liabilities are valued based on market pricing as required by IFRS.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Board</b>
<p><b>Valuation of Financial Liabilities at fair value through profit or loss – Metal Securities</b></p> <p><b>USD 10,158,646,104 (2021: USD 12,648,717,954)</b></p> <p><i>Refer to the Accounting policies (page 26); and Note 8 of the Financial Statements (page 30-31)</i></p> <p>Risk that values of securities in issue are misstated or that valuations are incorrectly captured.</p> <p>The Metal Securities in issue comprise a range of financial instruments that provide holders of issued securities with exposure to movements in prices of metals without needing to take physical delivery.</p> <p>The Metal Securities are carried at fair value as a Financial Liability.</p>	<p>Our response to the risk comprised:</p> <p>We walked through the company's systems, controls and process implemented in respect of the valuation of Metal Securities.</p> <p>An assessment of the design of the company's systems and controls implemented in respect of Metal Securities valuation.</p> <p>In executing our strategy, we adopted a fully substantive approach.</p> <p>Assessed the appropriateness of the valuation methodology applied, comprising the use of traded security prices to value the Metal Securities, against relevant IFRS requirements.</p> <p>Independently obtained security prices using external pricing sources at the balance sheet date.</p>	<p>There were no matters identified during our audit work on valuation of Metal Securities that we brought to the attention of the Board of Directors of the company.</p> <p>Based on our testing we are satisfied that the valuation of Metal Securities is not materially misstated</p>



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE METAL SECURITIES LIMITED (continued)**

<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Board</b>
<p>The risk comprises the risk of errors in both the valuation methodology applied and, in the source, and timing of valuation inputs utilised.</p> <p>The balance of Metal Securities represents in excess of 99% of the company's total liabilities as at 31 December 2022 (2021: 99%) and therefore any error in valuation approach could be significant.</p> <p>The risk has remained consistent with that observed in the prior year.</p>	<p>Recalculated the value of Metal Securities held at 31 December 2022, by multiplying the security price by the confirmed security balance in issue. This represented 100% of the total value of Metal Securities in issue.</p>	

**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the company to be US\$101.4 million (2021: US\$126.6 million), which is 1% (2021: 1%) of Total Assets. We believe that Total Assets provides us with an appropriate basis for audit materiality as Total Assets reflects the relevant exposure of holders of issued securities to the underlying asset base.

There has been no change in the basis of materiality used compared to the prior year.

**Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2021: 75%) of our materiality, namely US\$50.7m (2021: US\$94.9m). We have set performance materiality at this percentage in response to the value of errors identified and corrected in the financial statement close process. We had set performance materiality at 75% of our planning materiality in the prior year based on our prior experience of not identifying errors or significant audit differences.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE METAL SECURITIES LIMITED (continued)**

### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Board that we would report to them all uncorrected audit differences in excess of US\$5.07 million (2021: US\$6.3 million), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the annual report set out on pages 1 to 11, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE METAL SECURITIES LIMITED (continued)**

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework, comprising IFRS and the Companies (Jersey) Law 1991. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the presentation and disclosure of the financial statements being the applicable Listing Rules of the Central Bank of Ireland (Investment Market Conduct) and UK Listing Authority Rules;
- ▶ We understood how WisdomTree Metal Securities Limited is complying with those frameworks by making enquiries of the directors and key management of the administrative service provider. We corroborated our enquiries through our review of minutes of Board meetings, papers provided to the board and correspondence received from regulatory bodies and noted no contradictory evidence;
- ▶ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the investment objectives of the Company and discussing with management to understand where reporting was considered susceptible to fraud. Where this risk was considered to be higher, we performed audit procedures in response to the identified fraud risk. These procedures included testing of transactions to supporting documentation, testing of specific accounting journal entries and focussed testing, including that referred to in the key audit matters section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations, a review of any associated reporting submitted to the board on compliance with laws and regulations and enquiries of members of management of the appointed administrative service provider;
- ▶ As the Company operates in the asset management industry the Audit Partner assessed the experience of the engagement team and concluded that the team had the appropriate competence and capabilities.





**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE METAL SECURITIES LIMITED (continued)**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Other matters we are required to address**


- ▶ Following the recommendation from those charged with governance, we were appointed by the company on 3 December 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2019 to 31 December 2022.

- ▶ The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- ▶ The audit opinion is consistent with the additional report to those charged with governance.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
A7ABAF41963C438...

Christopher David Gordon Barry, FCA  
for and on behalf of Ernst & Young LLP  
Jersey, Channel Islands  
Date: 19 April 2023

## WisdomTree Metal Securities Limited

## Statement of Profit or Loss and Other Comprehensive Income



	Notes	Year ended 31 December	
		2022 USD	2021 USD
Income	3	38,388,323	47,336,630
Expenses	3	(38,388,323)	(47,336,630)
<b>Result Before Fair Value Movements</b>	3	-	-
Change in Fair Value of Metal Bullion	7	(46,580,195)	(923,499,526)
Change in Fair Value of Metal Securities	8	4,344,412	954,236,235
<b>(Loss) / Profit for the Year<sup>1, 2</sup></b>		<b>(42,235,783)</b>	<b>30,736,709</b>

The directors consider the Company's activities as continuing.

<sup>1</sup> A non-statutory and non-GAAP Statement of Profit or Loss and Total Comprehensive Income reflecting adjustments representing the movement in the difference between the value of Metal Bullion and the price of Metal Securities is set out in note 16.

<sup>2</sup> There are no items of Other Comprehensive Income, therefore the (Loss) / Profit for the Year also represented the Total Comprehensive Income for the Year.

The notes on pages 23 to 40 form part of these financial statements

## WisdomTree Metal Securities Limited

## Statement of Financial Position



	Notes	As at 31 December	
		2022 USD	2021 USD
<b>Assets</b>			
Metal Bullion	7	10,126,638,677	12,658,946,312
Metal Bullion on Loan	9	1,067,510	721,961
Metal Bullion Held in Respect of Assets Awaiting Settlement	7	15,630,861	1,512,924
Amounts Receivable on Securities Awaiting Settlement	8	846,572	-
Metal Bullion Held in Respect of Fees	5	2,881,022	3,681,698
Trade and Other Receivables	6	40,408	49,923
<b>Total Assets</b>		<b>10,147,105,050</b>	<b>12,664,912,818</b>
<b>Liabilities</b>			
Metal Securities	8	10,158,646,104	12,648,717,954
Overdraft Facility	9	1,067,510	721,961
Metal Bullion Payable in Respect of Assets Awaiting Settlement	8	15,630,861	1,512,924
Amounts Payable on Securities Awaiting Settlement	7	846,572	-
Trade and Other Payables	10	2,921,429	3,731,621
<b>Total Liabilities</b>		<b>10,179,112,476</b>	<b>12,654,684,460</b>
<b>Equity</b>			
Stated Capital	11	4	4
Revaluation Reserve		(32,007,430)	10,228,354
<b>Total Equity</b>		<b>(32,007,426)</b>	<b>10,228,358</b>
<b>Total Equity and Liabilities</b>		<b>10,147,105,050</b>	<b>12,664,912,818</b>

The assets and liabilities in the above Statement of Financial Position are presented in order of liquidity from most to least liquid.

The financial statements on pages 19 to 40 were approved and authorised for issue by the board of directors and signed on its behalf on 19 April 2023.

**Christopher Foulds**  
Director

## WisdomTree Metal Securities Limited

## Statement of Cash Flows



	Year ended 31 December	
	2022 USD	2021 USD
<b>(Loss) / Profit for the Year</b>	<b>(42,235,783)</b>	<b>30,736,709</b>
<b>Non-cash Reconciling Items</b>		
Change in Fair Value of Metal Bullion	46,580,195	923,499,526
Change in Fair Value of Metal Securities	(4,344,412)	(954,236,235)
	-	-
Cash Generated from Operating Activities	-	-
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>
Cash and Cash Equivalents at the Beginning of the Year	-	-
Net Increase in Cash and Cash Equivalents	-	-
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>-</b>	<b>-</b>

Metal Securities are issued through a direct transfer of Metal Bullion from the Authorised Participants to the custodian or redeemed by the direct transfer of Metal Bullion by the custodian to the Authorised Participants. Transactions related to the Metal Bullion on Loan and the Overdraft Facilities are included within this direct transfer process with the custodian. As such the Company is not a party to any cash transactions. The creations and redemptions of Metal Securities and additions and disposals of Metal Bullion, which are non-cash transactions for the Company, are disclosed in notes 7 and 8 respectively in the reconciliation of opening to closing Metal Securities and Metal Bullion.

The Company has entered into a service agreement with WisdomTree Management Jersey Limited ("ManJer" or the "Manager"), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company (including marketing), as well as the payment of costs relating to the listing and issue of Metal Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the aggregate of the Management Fee and the creation and redemption fees (the "ManJer Fee"). The Metal Bullion in respect of the ManJer Fee is transferred by the Trustee from the Company's custodian accounts to ManJer's custodian accounts. In addition, amounts in respect of the creation and redemption fees are transferred directly from the Authorised Participants to ManJer and there are no cash flows through the Company.

The notes on pages 23 to 40 form part of these financial statements

## WisdomTree Metal Securities Limited

### Statement of Changes in Equity



	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve USD	Total Equity USD
<b>Opening Balance at 1 January 2021</b>		4	-	(20,508,355)	(20,508,351)
Result and Total Comprehensive Income for the Year		-	30,736,709	-	30,736,712
Transfer to Revaluation Reserve	16	-	(30,736,709)	30,736,709	-
<b>Balance at 31 December 2021<sup>3</sup></b>		<b>4</b>	<b>-</b>	<b>10,228,354</b>	<b>10,228,358</b>
Opening Balance at 1 January 2022		4	-	10,228,354	10,228,358
Result and Total Comprehensive Expense for the Year		-	(42,235,783)	-	(42,235,783)
Transfer to Revaluation Reserve	16	-	42,235,783	(42,235,783)	-
<b>Balance at 31 December 2022<sup>3</sup></b>		<b>4</b>	<b>-</b>	<b>(32,007,430)</b>	<b>(32,007,426)</b>

<sup>3</sup> A non-statutory and non-GAAP Statement of Changes in Equity reflecting adjustments representing the difference between the value of Metal Bullion and the price of Metal Securities is set out in note 16.

The notes on pages 23 to 40 form part of these financial statements

## WisdomTree Metal Securities Limited

### Notes to the Financial Statements



#### 1. General Information

WisdomTree Metal Securities Limited (the “Company”) is a company incorporated and domiciled in Jersey. The address of the registered office is Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW.

The Company’s principal activity is the issue and listing of metal securities (“Metal Securities”). Metal Securities allow investors to gain exposure to the precious metals market without needing to take physical delivery of platinum, palladium, silver and gold bullion (“Metal Bullion”). It also allows investors to buy and sell that interest through the trading of a security on the London Stock Exchange and any other exchange to which that security may be admitted to trading from time to time. Each class of Metal Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant platinum, palladium, silver and gold bullion (“Metal Bullion”) held to support the Metal Securities and not to the Metal Bullion of any other class of Metal Security or to the Company. The Metal Securities are secured on an amount of Metal Bullion equivalent to the entitlement to that Metal Bullion in respect of each Metal Security (referred to as the “Metal Entitlement”), which is calculated in accordance with an agreed formula published in the Prospectus. The Company holds Metal Bullion to support the Metal Securities as determined by the Metal Entitlement. The Company does not make gains from trading in the underlying Metal Bullion. As a result, (and with the exception of the impact of Management Fees), from a commercial perspective gains and losses in respect of Metal Bullion will always be offset by a corresponding loss or gain on the Metal Securities and therefore commercially the Company does not retain any net gains or losses or net risk exposures. However, the difference in valuation between Metal Bullion and Metal Securities creates a mis-match between the values reported within these financial statements. This difference in valuation would be reversed on a subsequent redemption of the Metal Securities and transfer of the corresponding Metal Bullion. Further details are disclosed within the Accounting Policies and in note 16, with additional information regarding the risks of the Company disclosed in note 13. Furthermore, the Company presents an adjusted Statement of Profit or Loss and Total Comprehensive Income and an adjusted Statement of Changes in Equity in note 16 of the financial statements to reflect the economic results of the Company through the reversal of the difference in valuation between Metal Bullion and Metal Securities given the gain or loss would be reversed on a subsequent redemption of the Metal Securities and transfer of the corresponding Metal Bullion, and therefore will not be realised.

Exchange traded products are not typically actively managed, are significantly lower in cost when compared to actively managed mutual funds and are easily accessible to investors. No active trading or management of Metal Bullion is required of the Company because the Company only receives or delivers Metal Bullion on the issue and redemption of Metal Securities, and only holds Metal Bullion as determined by the Metal Entitlement of each class of Metals Security to support the Metal Securities.

The Company is entitled to:

- (1) a management fee which is calculated by reducing the Metal Entitlement of each class of Metal Security on a daily basis by an agreed amount (the “Management Fee”); and
- (2) creation and redemption fees on the issue and redemption of the Metal Securities.

No creation or redemption fees are payable to the Company when investors trade in the Metal Securities on a listed market such as the London Stock Exchange. Creation and redemption fees may also be waived with certain approved persons where applicable.

The Company has entered into a service agreement with WisdomTree Management Jersey Limited (“ManJer” or the “Manager”), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company (including marketing), as well as the payment of costs relating to the listing and issuance of Metal Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the Management Fee and the creation and redemption fees earned (the “ManJer Fee”). As a result, the Company recognises a result before fair value movements of nil for each period.

#### 2. Accounting Policies

The main accounting policies of the Company are described below.

##### Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

### **3. Accounting Policies (continued)**

#### **Basis of Preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The Board has concluded specifically that climate change, including physical and transition risks, does not have a material impact on the recognition and separate measurement considerations of the assets and liabilities in these financial statements as at 31 December 2022. This conclusion is based on the fact that assets are reported at fair value under IFRS, and as set out in note 13 are categorised as level 2 due to the use of observable, verifiable inputs, including use of third party information sources within the agreed pricing formulae (set out in the Prospectus). The liabilities are valued utilising listed market prices at the period end. These observable inputs and market prices will reflect wider market sentiment, which inherently includes market perspectives relating to the impact of climate change.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of physical metal bullion and financial liabilities held at fair value through profit or loss.

#### **Critical Accounting Estimates and Judgements**

The presentation of financial statements in conformity with 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.

#### **Significant Judgements**

The key accounting judgements required to prepare these financial statements are:

1. In respect of the presentation of non-statutory and non-GAAP adjustments to the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity, as disclosed in note 16.
2. The determination of the appropriate accounting policy to be applied to Metal Bullion.  
Under IFRS there is no standard treatment for the classification of physical metals (as they do not meet the definition of a financial asset, cash, inventory or property, plant or equipment) therefore the election of how to treat physical metals is left to some interpretation for companies which hold these assets. The Metal Bullion is held to provide the security holders with the exposure to changes in the fair value of Metal Bullion and therefore the Directors consider that carrying the Metal Bullion at fair value through profit or loss, consistent with the treatment that would be applicable to a financial instrument, reflects the objectives and the purpose of holding the asset.

#### **Significant Estimates**

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 directors do not consider that any significant estimates have been applied in the preparation of these financial statements.

#### **Going Concern**

The nature of the Company’s business dictates that the outstanding Metal Securities may be redeemed at any time by Authorised Participants and in certain circumstances by individual holders and also, in certain circumstances, may be compulsorily redeemed by the Company. As the redemption of Metal Securities will always coincide with the transfer of an equal amount (in value) of Metal Bullion, liquidity risk is mitigated such that there is no material residual risk. All other expenses of the Company are met by ManJer. The directors closely monitor the financial position and performance of ManJer, its assets under management, and therefore its related revenue streams, in respect of fulfilling the obligations under the services agreement. The net reported position on balance sheet, including in instances where a deficit is reported, is not considered to impact the going concern position of the Company as this position results solely due to the unrealised gains or losses on Metal Bullion and Metal Securities due to the accounting measurement basis applied in accordance with IFRS.

## 2. Accounting Policies (continued)

### Going Concern (continued)

As Metal Bullion are held to support Metal Securities, any deficit or surplus reported on unrealised positions would be reversed on a subsequent redemption of the Metal Securities and the related cancellation of Metal Bullion. A reported deficit is not considered indicative of any issues relating to solvency of the Company and the directors are satisfied that any obligations arising in respect of the Metal Securities can be managed in accordance with the terms of the applicable Prospectus. The directors consider the operations of the Company to be ongoing, with a reasonable expectation that the Company has adequate resources to continue in operational existence until 30 April 2024, and accordingly these financial statements have been prepared on the going concern basis.

### Accounting Standards

#### (a) Standards, amendments and interpretations considered by the Company (continued):

The following standards that have been revised, issued and became effective but are not considered applicable to the Company:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 4 Insurance Contracts
- Amendments to IFRS 16 Lease
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual Improvements to IFRS

There were no other new standards, amendments and interpretations adopted in the current year that resulted in a significant effect on these financial statements.

#### (b) New and revised IFRSs in issue but not yet effective:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Deferred Tax (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2024)

The directors do not expect the adoption of the above standards, amendments and interpretations that are in issue but not yet effective will have a material impact on the financial statements of the Company in future periods.

### Metal Securities

#### i) Issue and Redemption

Each time a Metal Security is issued or redeemed by the Company a corresponding amount of Metal Bullion is transferred into or from the relevant secured account held by the custodian. Upon initial recognition, the fair value is recorded using the fixing price published by the London Bullion Market Association ("LBMA") applied to the underlying Metal Bullion transferred. Financial liabilities are recognised and de-recognised on the transaction (trade) date.

#### ii) Classification at fair value through Profit or Loss

Metal Securities comprise a financial instrument whose redemption price is linked to the value of the underlying Metal Bullion. Metal Securities are classified as liabilities at fair value through profit or loss under IFRS 9 due to an embedded derivative. This also significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.





## 2. Accounting Policies (continued)

### Metal Securities (continued)

#### iii) Pricing

IFRS 13 requires the Company to identify the principal market and to utilise the available price within that principal market. The directors consider that the stock exchanges where the Metal Securities are listed to be the principal market and as a result the fair value of the Metal Securities is the on-exchange price as quoted on the stock exchange demonstrating active trading with the highest trading volume on each day that the price is obtained. The Metal Securities are priced using the latest traded mid-market price on (or before) the Statement of Financial Position date.

A difference arises between the value of Metal Bullion (held to support the Metal Securities) and Metal Securities (at market value) presented in the Statement of Financial Position. This difference is reversed on a subsequent redemption of the Metal Securities and transfer of the corresponding Metal Bullion.

### Metal Bullion

The Company holds Metal Bullion equal to the amount due to holders of Metal Securities solely for the purposes of meeting its obligations under the Metal Securities.

As described above (under the heading Critical Accounting Estimates and Judgements), under IFRS there is no standard treatment for the classification of physical metals. The Metal Bullion is held to provide the security holders with the exposure to changes in the fair value of Metal Bullion and therefore the Directors consider that carrying the Metal Bullion at fair value through profit or loss, consistent with the treatment that would be applicable to a financial instrument, reflects the objectives and the purpose of holding the asset.

Metal Bullion is priced on a daily basis based on the amount of Metal Bullion held using the latest fixing price published by the LBMA, and is considered to be the fair value of the Metal Bullion. Also on a daily basis an amount is transferred to Metal Bullion Held in Respect of the Management Fees. This valuation of the Metal Bullion is equivalent to the LBMA fixing price being applied to the total Metal Entitlement of each class of Metal Security, and is referred to as the 'Contractual Value'.

### Metal Bullion and Metal Securities Awaiting Settlement

The issue and redemption of Metal Securities, and the transfer in and out of Metal Bullion, is accounted for on the transaction date. The transaction will not settle until two days after the transaction date. Where transactions are awaiting settlement at the year end, the value of the Metal Bullion and the Metal Securities due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position. The fair value of these receivables and payables is considered equivalent to their carrying value.

### Metal Bullion Held in Respect of Management Fees and ManJer Fee Payable in Metal Bullion

Management Fee income is accrued by reducing the Metal Entitlement of each class of Metal Security on a daily basis by an agreed amount. These fees are recognised in Metal Bullion, recorded at fair value through profit or loss in accordance with the accounting judgement set out above in respect of Metal Bullion. The amount recognised at the Statement of Financial Position date is revalued using the latest price published by the LBMA.

Management Fees payable are also accrued based on the income accrued in accordance with the agreement with ManJer. These fees are payable in Metal Bullion, recorded at fair value through profit or loss to significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases). The payable at the Statement of Financial Position date is revalued using the latest price published by the LBMA.

### Overdraft Facility

The Company has entered into three agreements with the custodians which each allow for the loan of up to one bullion bar of gold (collectively the "Overdraft Facility"). The Overdraft Facility is denominated in ounces of Metal Bullion, repayable in ounces of Metal Bullion equivalent to the Metal Bullion on Loan. The Overdraft Facility is recorded at the fair value of the ounces of Metal Bullion using the latest price published by the LBMA and changes in fair value are recognised through profit or loss.

## WisdomTree Metal Securities Limited

### Notes to the Financial Statements (Continued)



## 2. Accounting Policies (continued)

### Metal Bullion on Loan

The gold held under the Overdraft Facility (the “Metal Bullion on Loan”) is used by the Company to ensure all WisdomTree Physical Swiss Gold Securities, WisdomTree Physical Gold Securities and WisdomTree Core Physical Gold Securities, respectively, are supported by holdings of gold in allocated form. The Metal Bullion on Loan is recorded at fair value using the latest price published by the LBMA. Changes in fair value are recognised through profit or loss.

### Reserves

A revaluation reserve and a retained earnings reserve are maintained within equity. All profit or loss is taken to the retained earnings reserve at the end of the accounting period to which it relates and the gain or loss relating to the mis-match of accounting values is transferred to the revaluation reserve, which the directors have deemed to be non-distributable, as the balance relates to unrealised gains and losses on Metal Bullion (held to support the Metal Securities) and Metal Securities, which will be reversed on a subsequent redemption of the Metal Securities and the related transfer of Metal Bullion and will therefore not be realised.

### Other Financial Assets and Liabilities

Other financial assets and liabilities are non-derivative financial assets and liabilities including trade and other receivables and trade and other payables (primarily creation and redemption fees) with a fixed payment amount and are not quoted in an active market. After initial measurement the other financial assets and liabilities are subsequently measured at amortised cost using the effective interest method less any allowance for expected credit losses (in respect of financial assets only). The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Impairment losses, including reversals of impairment losses and impairment gains, are recorded through profit or loss.

### Income

The Company derives income over time (in respect of Management Fees), and at a point in time (in respect of creation and redemption fees) as follows:

#### i) Management Fees

Management Fees are calculated by applying a fixed percentage to reduce the Metal Entitlement of each class of Metal Security on a daily basis in accordance with the terms of the securities issued, as follows:

	<u>% Rate (p.a)</u>
• WisdomTree Physical Platinum	0.49
• WisdomTree Physical Palladium	0.49
• WisdomTree Physical Gold	0.39
• WisdomTree Physical Swiss Gold	0.15
• WisdomTree Core Physical Gold	0.12
• WisdomTree Physical Silver	0.49

The Management Fee for WisdomTree Physical Precious Metals Basket Security is the total of the Metal Entitlements of the Individual Metal Securities of which it is made up: Platinum – 0.1; Palladium – 0.2; Silver – 1.2; and Gold – 0.4 (therefore the Management Fee rate being applied is in respect of those Individual Metal Securities).

The change in Metal Entitlement reduces the value of the Metal Securities. This reduction equates to the Management Fee amount in the relevant Metal Bullion, that is recognised for that day per each Metal Security in issue on that day. The Management Fees are accrued and recognised on a daily basis, until invoiced and settled by transfer of the relevant Metal Bullion. The amount recognised as income is calculated by applying the average LBMA fixing price to the total Management Fee accrued on a monthly basis.

## WisdomTree Metal Securities Limited

### Notes to the Financial Statements (Continued)



## 2. Accounting Policies (continued)

### Income (continued)

#### ii) Creation and Redemption Fees

Fees for the issue and redemption of Metal Securities are recognised at the fair value of the consideration expected to be received, on the date on which the transaction becomes legally binding. Accrued creation and redemption fees are invoiced and settled on a quarterly basis.

### Foreign Currency

The financial statements of the Company are presented in the currency in which the majority of the Metal Securities issued by the Company are denominated (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in United States Dollars, which is the functional currency of the Company and the presentational currency of the financial statements. Transactions in foreign currencies are initially recorded at the spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end date are translated at rates ruling at that date. Creation and redemption fees are translated at the average rate for the month in which they are incurred. The resulting differences are accounted for through profit or loss.

### Segmental Reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess their performance. The CODM has been determined as the board of directors.

Whilst the Company has a number of different classes of Metal Securities in issue, the financial information reviewed by the CODM is aggregated and not segregated by those different classes of Metal Securities and therefore the CODM concluded that these components do not meet the criteria of operating segments. Furthermore the marketing of the Metal Securities is undertaken on a centralised basis and the terms of the Metal Securities of any class rank *pari passu* in all respects irrespective of stock exchange listing.

As a result, the CODM determined that the Company is operating a single segment or product group, precious metals, and one geographical segment which is Europe. Therefore the Company discloses its results on an equivalent aggregated form and does not provide and further segmental information. In addition, the Company has no single major customer from which greater than 10% of income is generated. All information relevant to the understanding of the Company's activities is included in these financial statements.

## 3. Result Before Fair Value Movements

Result Before Fair Value Movements for the year comprised:

	Year ended 31 December	
	2022 USD	2021 USD
Creation and Redemption Fees	41,810	39,315
Management Fees	38,346,513	47,297,315
<b>Total Income</b>	<b>38,388,323</b>	<b>47,336,630</b>
ManJer Fees	(38,388,323)	(47,336,630)
<b>Total Operating Expenses</b>	<b>(38,388,323)</b>	<b>(47,336,630)</b>
<b>Result Before Fair Value Movements</b>	<b>-</b>	<b>-</b>

Audit Fees for the year of GBP 32,879 will be met by ManJer (2021: GBP 27,500).

**WisdomTree Metal Securities Limited****Notes to the Financial Statements (Continued)****4. Taxation**

The Company is subject to Jersey Income Tax. During the year the Jersey Income Tax rate applicable to the Company is zero percent (2021: zero percent).

**5. Metal Bullion Held in Respect of Management Fees**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Management Fees	<u>2,881,022</u>	<u>3,681,698</u>

Management Fees are recognised in Metal Bullion and are recorded at fair value.

**6. Trade and Other Receivables**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	40,404	49,919
Receivable from Related Party	4	4
	<u>40,408</u>	<u>49,923</u>

The fair value of the receivables is equal to the carrying value. The Trade and Other Receivables are due to be recovered within 12 months of the year end.

**7. Metal Bullion**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Change in Fair Value of Metal Bullion	<u>(46,580,195)</u>	<u>(923,499,526)</u>
Metal Bullion at Fair Value	<u>10,126,638,677</u>	<u>12,658,946,312</u>

As at 31 December 2022, there were certain amounts of Metal Bullion awaiting the settlement in respect of the creation or redemption of Metal Securities with transaction dates before the year end and settlement dates in the following year:

- The amount of Metal Bullion payable on Metal Securities awaiting settlement is USD 846,572 (2021: USD nil).
- The amount of Metal Bullion Held of Assets awaiting settlement is USD 15,630,861 (2021: USD 1,512,924).

All Metal Bullion assets have been valued using the AM fix on 31 December 2022 as published by the LBMA being the last fix prices available for the year.

**WisdomTree Metal Securities Limited****Notes to the Financial Statements (Continued)****7. Metal Bullion (continued)**

The below reconciliation of changes in the Metal Bullion includes only non-cash changes.

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
<b>Opening Metal Bullion</b>	<b>12,658,946,312</b>	<b>14,476,114,674</b>
Additions	2,542,978,257	2,961,105,663
Disposals	(4,990,359,184)	(3,807,477,184)
Metal Bullion Transferred to Metal Bullion Held in Respect of Management Fees	(38,346,513)	(47,297,315)
Change in Fair Value	(46,580,195)	(923,499,526)
<b>Closing Metal Bullion</b>	<b>10,126,638,677</b>	<b>12,658,946,312</b>

**8. Metal Securities**

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

The Company measures the Metal Securities at their fair value in accordance with IFRS 13 rather than at the Contractual Value described above. The fair value is the price quoted on stock exchanges or other markets where the Metal Securities are listed or traded. The fair values and changes thereof during the year based on prices available on the open market as recognised in the financial statements are:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Change in Fair Value of Metal Securities	<b>4,344,412</b>	<b>954,236,238</b>
Metal Securities at Fair Value	<b>10,158,646,104</b>	<b>12,648,717,954</b>

The contractual redemption values and changes thereof during the year based on the contractual settlement values are:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Change in Contractual Redemption Value for the Year	<b>46,580,195</b>	<b>923,499,526</b>
Metal Securities at Contractual Redemption Value	<b>10,126,638,677</b>	<b>12,658,946,312</b>

The gain or loss on the difference between the value of the Metal Bullion and the fair value of Metal Securities would be reversed on a subsequent redemption of the Metal Securities and transfer of the corresponding Metal Bullion. Refer to note 16 for the non-statutory and non-GAAP adjustments which reflect the results of this reversal.

## WisdomTree Metal Securities Limited

### Notes to the Financial Statements (Continued)



#### 8. Metal Securities (continued)

As at 31 December 2022, there were certain Metal Securities awaiting settlement in respect of creations or redemptions with transaction dates before the year end and settlement dates in the following year:

- The amount receivable on Metal Securities awaiting settlement is USD 846,572 (2021: USD nil).
- The amount payable in respect of Assets awaiting settlement is USD 15,630,861 (2021: USD 1,512,924).

The below reconciliation of changes in the Metal Securities, being liabilities arising from financing activities, includes only non-cash changes.

	Year ended 31 December	
	2022 USD	2021 USD
<b>Opening Metal Securities</b>	<b>12,648,717,954</b>	<b>14,496,623,028</b>
Securities Created	2,542,978,259	2,961,105,663
Securities Redeemed	(4,990,359,184)	(3,807,477,184)
Management Fee	(38,346,513)	(47,297,315)
Change in Fair Value	(4,344,412)	(954,236,238)
<b>Closing Metal Securities at Fair Value</b>	<b>10,158,646,104</b>	<b>12,648,717,954</b>

#### 9. Overdraft Facility

The Overdraft Facility, pursuant to the overdraft agreements entered into with the custodians (one with JP Morgan Chase Bank, NA ("JP Morgan"), and two with HSBC Bank plc ("HSBC")), allows for the loan of up to one bullion bar of gold (per agreement). The gold held under the Overdraft Facility (the "Metal Bullion on Loan") is used by the Company to ensure all WisdomTree Physical Swiss Gold Securities, WisdomTree Physical Gold Securities and WisdomTree Core Physical Gold Securities, respectively, are supported by holdings of gold in allocated form.

The Company had Metal Bullion drawn under the Overdraft Facilities as follows:

	As at 31 December 2022		As at 31 December 2021	
	Troy Ounces	USD	Troy Ounces	USD
Gold on Loan from JP Morgan	8.061	14,609	74.786	136,118
Gold on Loan from HSBC	580.959	1,052,901	321.874	585,843
		<b>1,067,510</b>		<b>721,961</b>

The Metal Bullion on Loan and the Overdraft Facilities are recorded at the fair value of the Metal Bullion.

#### 10. Trade and Other Payables

	As at 31 December	
	2022 USD	2021 USD
ManJer Fees Payable	<b>2,921,429</b>	<b>3,731,621</b>

Management Fees payable by transfer of Metal Bullion are recorded at fair value. The fair value of the remaining payables is equal to the carrying value. The ManJer Fee Payable is due to be settled within 12 months of the year end.

**WisdomTree Metal Securities Limited****Notes to the Financial Statements (Continued)****11. Stated Capital**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
2 Shares of Nil Par Value, Issued at GBP 1 Each and Fully Paid	<u>4</u>	<u>4</u>

The Company can issue an unlimited capital of nil par value shares in accordance with its Memorandum of Association.

All Shares issued by the Company carry one vote per Share without restriction and carry the right to dividends. All Shares are held by WisdomTree Holdings Jersey Limited ("HoldCo").

**12. Related Party Disclosures**

Entities and individuals which have significant influence over the Company, either through ownership or by virtue of being a director of the Company are considered to be related parties. In addition, entities with common ownership to the Company and entities with common directors are also considered to be related parties.

*Fees charged by ManJer during the year:*

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
ManJer Fees	<u>38,388,323</u>	<u>47,336,630</u>

*The following balances were due to ManJer at the year end:*

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
ManJer Fees Payable	<u>2,921,429</u>	<u>3,731,617</u>

At 31 December 2022, USD 4 is receivable from ManJer (2021: USD 4).

As disclosed in the Directors' Report, ManJer paid fees to R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") for administration services, which includes the provision of Directors, however following the restructuring of the fee agreement effective from 1 July 2022, fees for those services are no longer separately identified following the restructuring of the fee agreement effective from 1 July 2022.

Steven Ross is a director of R&H and a partner of Rawlinson & Hunter, Jersey Partnership which wholly owns R&H. Christopher Foulds is a director of R&H. During the year, R&H charged ManJer administration fees which include the Company and other entities for which ManJer is the Manager and R&H is the Administrator, in aggregate, of GBP 680,211 of which GBP 295,796 was outstanding at the year end. (The administration agreement was updated, effective 1 July 2022 and the charges directly attributable to the Company are no longer specified. During the year ended 31 December 2021 the charges directly attributable to the Company amounted to GBP 134,504 with GBP 33,626 outstanding).

Peter Ziembra and Stuart Bell are executive officers of WisdomTree, Inc.

**13. Financial Risk Management**

The Company is exposed to a number of risks arising from its activities, including credit risk, settlement risk, liquidity risk and market risk. The Board is responsible for the overall risk management approach and for approving the risk management strategies and principles.



### 13. Financial Risk Management (continued)

The Board meets frequently to consider the risk exposures of the Company and to determine appropriate management policies. The risk management policies employed by the Company to manage these are discussed below. The Metal Securities are subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. There can be no assurance that any appreciation in the value of securities will occur, and the capital value of an investor's original investment is not guaranteed. The value of investments may go down as well as up, and an investor may not get back the original amount invested.

The information provided below is not intended to be a comprehensive summary of all the risks associated with the Metal Securities and investors should refer to the most recent Prospectus for a detailed summary of the risks inherent in investing in the Metal Securities. Any data provided should not be used or interpreted as a basis for future forecast or investment performance.

#### (a) Credit Risk

Credit risk primarily refers to the risk that Authorised Participants or the custodian will default on its contractual obligations resulting in financial loss. Each class of Metal Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Metal Bullion (held to support the Metal Securities) and not to the Metal Bullion of any other class of Metal Security or to the Company, therefore limiting the credit risk of the Company in connection with the issue of the Metal Securities.

The total carrying amounts of the amounts receivable awaiting settlement and trade and other receivables best represent the maximum credit risk exposure at the Statement of Financial Position date. At the reporting date the Company's amounts receivable awaiting settlement and trade and other receivables are detailed on the Statement of Financial Position. Credit risk is managed by the Company by only dealing with Authorised Participants who are believed to be creditworthy. In the event the authorised participants fail to complete their obligation, no Metal Securities will be created therefore the Company does not have the risk of loss of the amount expected to be received.

Credit risk also includes custodial risk. Metal Bullion is the subject of a fixed charge or legal mortgage in favour of The Law Debenture Trust Corporation p.l.c (the "Trustee") pursuant to security deeds entered into by the Trustee and the Company to secure the obligations owed by the Company to the Trustee and the holders of the relevant Metal Securities (the "Security"). However, there is no exposure to credit risk to the Trustee by virtue of the existence of the Security. Under the custodian agreements the relevant custodian acknowledges the Security created in favour of the Trustee and agrees that once Metal Bullion is deposited in the secured metal accounts, it may only be removed after approval from the Trustee.

The custodian is not required to take out insurance and neither is the Trustee. Accordingly, there is a risk that the secured Metal Bullion could be lost, stolen or damaged and the Company would not be able to satisfy its obligations in respect of the Metal Securities. Currently the Company has two custodians, HSBC and JP Morgan. At the reporting date the exposure to the custodians was split approximately 73.5% and 26.5% (2021: 71% and 29%) respectively.

Metal Bullion held with the custodians is held either in allocated or unallocated form.

- Allocated: An allocated account evidences that uniquely identifiable bars of bullion have been "allocated" to the customer and are segregated from other metal held in the custodian's vault. An allocated account is held in the customer's name (which, for the Metal Securities, means in the name of the Trustee as legal mortgagee pursuant to the Security and in its capacity as trustee for the Security Holders). The customer has full title to the bullion held in the allocated account. As a result, allocated Bullion does not entail any credit risk exposure to the custodian, and the credit exposure to the custodians is therefore limited to the amounts held in unallocated accounts.
- Unallocated: Unlike bullion held in an allocated account, bullion in an unallocated account does not entitle the customer to a particular bar of bullion and the customer's holding is not segregated from that of other customers or the custodian. Instead, the books and records of the custodian record that the customer is entitled to a specific amount of bullion. As the bullion is not segregated, the customer has a credit risk exposure to the custodian. Bullion in unallocated form is easier to transfer as it simply requires an update of the custodian's books and records rather than movements of physical bullion and for this reason transfers in connection with creation and redemption of Metal Securities are carried out in unallocated form.





### 13. Financial Risk Management (continued)

#### (a) Credit Risk (continued)

The Metal Securities are backed by physical Metal Bullion in allocated accounts to the extent possible. A small portion may be held in unallocated form on a short term basis when Metal Bullion is in the process of being allocated or de-allocated for a creation or redemption, or (in respect of Metal Bullion other than gold) where it cannot be held in whole bars. Once the level of Metal Bullion in an unallocated account reaches an amount equal to one bar, that bar can be transferred to an allocated account.

The Company has entered the Overdraft Facility to ensure all WisdomTree Physical Swiss Gold Securities, WisdomTree Physical Gold Securities and WisdomTree Core Physical Gold Securities, respectively, are supported by holdings of gold in allocated form, and therefore the unallocated gold balances relate to the Metal Bullion drawn on the Overdraft Facility (see note 9). For Metal Bullion other than gold, the unallocated account will be less than 1 physical bar (of each type of Metal Bullion) and immaterial in value.

The Metal Bullion held at the custodians to back the Metal Securities is audited twice a year by an independent metal audit firm – Inspectorate International – who inspect the Metal Bullion held at the custodians to ensure that it matches in all respects the Metal Bullion disclosed as held on the Bar List. The first audit takes place at the start of each year of the Metal Bullion held at the end of the previous year and then a second audit is carried out at random at a later point in the year.

The Board monitors credit risk exposure, including through an assessment of the credit rating of the custodians (HSBC: AA- (2021: AA-) (Fitch, 7 October 2022) and JPMorgan: AA (2021: AA) (Fitch, 19 September 2022)), to ensure the Company's exposure is managed, and has continued to do so more closely with a focus on any potential impact of, or developments relating to both the Ukraine Crisis and COVID-19.

#### (b) Settlement Risk

Settlement risk primarily refers to the risk that an Authorised Participant will default on its contractual obligations resulting in financial loss.

The directors believe that settlement risk would only be caused by the Company's trading counterparty not delivering Metal Bullion or Metal Securities on the settlement date. The Metal Securities settle through the CREST system. The directors feel that this risk is mitigated as Metal Securities are not issued until the required amount of Metal Bullion has been received in the custodian account, and Metal Bullion is not transferred until the relevant Metal Securities have been delivered in CREST. As a result, each transaction does not settle until both parties have fulfilled their contractual obligations.

Amounts outstanding in respect of positions yet to settle are disclosed in notes 7 and 8.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The Company's receivables and payables are all payable on demand and generally settled on a short term basis. Liquidity risk in respect of receivables and payables related to income and expenses is mitigated as Metal Bullion in respect of the Management Fees are retained by the Company on a daily basis, in order for the related ManJer expense accumulated (for the month, in arrears) to be settled (in Metal Bullion) once invoiced, and amounts in respect of the creation and redemption fees are transferred from the relevant counterparties directly to ManJer and there are no related cash flows through the Company.

The Metal Securities do not have a contractual maturity date and will only be redeemed at the request of the holder of the security, which may be requested at any time, with the transaction settling through the transfer of the required Metal Bullion two days after the transaction date, or in the case of a compulsory redemption by either transferring the required Metal Bullion, or by realising the Metal Bullion for cash and settling the cash proceeds to holders on a short-term basis. Generally, only holders of Metal Securities who have entered into an authorised participant agreement with the Company can submit applications and redemptions directly with the Company.

When Metal Securities are redeemed, the Company returns the corresponding amount of Metal Bullion determined by the Metal Entitlement of those Metal Securities, therefore the redemption of Metal Securities would not impact the liquidity of the Company. Consequently, the Company has not presented any tabular information in respect of liquidity risk.

**WisdomTree Metal Securities Limited****Notes to the Financial Statements (Continued)****13. Financial Risk Management (continued)***(d) Capital Management*

The primary objective of the Company's capital management policy is to ensure that it maintains sufficient resources for operational purposes. The capital being managed is the Stated Capital as presented in the Statement of Changes in Equity. Retained Earnings and the Revaluation Reserve, as presented in the Statement of Changes in Equity, are not considered managed capital as these balances relate to unrealised gains and losses on Metal Bullion (held to support the Metal Securities) and Metal Securities, which are reversed on a subsequent redemption of the Metal Securities and the related transfer of Metal Bullion and will therefore not be realised. The Company is not subject to any capital requirements imposed by a regulator and there were no changes in the Company's approach to capital management during the year.

The Company's principal activity is the issue and listing of Metal Securities. These securities are issued and redeemed as demand requires. The Company holds a corresponding amount of Metal Bullion which matches the total contractual liability of the Metal Securities issued. ManJer supplies or arranges the supply of all management and administration services to the Company and pays all management and administration costs of the Company, including Trustee and custodian fees. In return for these services the Company has an obligation to remunerate ManJer, which under the terms of the service agreement by an amount which is equal to the aggregate of the Management Fee and creation and redemption fees earned.

As all Metal Securities on issue are supported by an equivalent amount of physical bullion held by the custodian and the running costs of the Company were paid by ManJer, the directors of the Company consider the capital management and its current capital resources are adequate to maintain the ongoing listing and issue of Metal Securities.

*(e) Market Risk*

Market risk is the risk that changes in market prices (such as equity and bullion prices, interest rates and foreign exchange rates) will affect the Company's income or the value of its financial instruments held or issued.

*i) Price Risk*

As described above, Metal Securities provide investors with exposure to precious metals. Excluding the impact of Management Fees, the value of certain Metal Securities also dropped in line with the changes in the underlying Metal Bullion values:

	LBMA Price USD		Movement
	2022	2021	%
Platinum	1,065.000	962.000	10.71%
Palladium	1,788.000	1,928.000	(7.26%)
Gold	1,812.350	1,820.100	(0.43%)
Silver	23.945	23.085	3.73%

The value of the Company's liability in respect of the Metal Securities fluctuates according to the Metal Bullion prices and the risk of such change in price is managed by the Company by holding Metal Bullion in the same quantity as its liability. Whilst the Metal Securities are quoted on the open market, the Company's ultimate liability relates to its contractual obligations to issue and redeem Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement on each trading day. The Company measures the Metal Securities at their fair value in accordance with IFRS 13 rather than at the Contractual Value (as described in the Prospectus). The gain or loss on the difference between the value of the Metal Bullion and the fair value of Metal Securities would be reversed on a subsequent redemption of the Metal Securities and transfer of the corresponding Metal Bullion. Refer to note 8 for the further details regarding fair values. Therefore, the Company bears no residual financial risk from a change in the price of Metal Bullion. Furthermore, the impact of price sensitivity is considered immaterial to these financial statements.

### 13. Financial Risk Management (continued)

#### (e) Market Risk (continued)

##### i) Price Risk (continued)

However, there is an inherent risk from the point of view of investors as the price of Metal Bullion and the value of the Metal Securities may vary widely due to, amongst other things, changing supply or demand for Metal Bullion, government and monetary policy or intervention and global or regional political, economic or financial events. The market price of Metal Securities is (and will remain) a function of supply and demand amongst investors wishing to buy and sell Metal Securities and the bid or offer spread that the market makers are willing to quote. This is highlighted further in note 16, and below under the Fair Value Hierarchy.

##### *Ukraine Invasion*

On 24 February 2022, Russia engaged in military actions in the sovereign territory of Ukraine (the “Crisis”). The Crisis has resulted in the implementation of sanctions and further actions by governments which, as well as the Crisis itself, have impacted financial and commodities markets. In response to sanctions imposed on Russia by the United Kingdom, United States and European Union, on 7 March 2022 the LBMA suspended six Russian refiners (the “Russian Refiners”) from the Good Delivery List (the “Suspension”). As a result of the Suspension, Metal Bullion bars produced after 7 March 2022 by the Russian Refiners will not be considered Good Delivery unless and until the LBMA further amends its Good Delivery Rules. In line with the LBMA’s Good Delivery Rules, Metal Bullion bars received from the Russian Refiners prior to 7 March 2022 still fall within the Good Delivery Rules and can be traded within the London Good Delivery system. Prior to the Suspension, the Company received silver and gold from six Russian Refineries; in line with the Good Delivery Rules, these bars meet the Good Delivery Rules and constitute Good Delivery.

The Company will only accept Metal Bullion bars which constitute Good Delivery and meet the Good Delivery Rules set by the LBMA. Therefore, as a result of the Suspension, the Company does not accept Metal Bullion bars that the Russian Refineries produced after 7 March 2022 (until there is an amendment to the Good Delivery Rules). This may impact the price and liquidity of existing and newly sourced Good Delivery Metal Bullion bars and hence may adversely affect the trading market and price for Metal Securities and may cause the value of Metal Securities to decline or increase in value.

As the Crisis continues, the board of directors (the “Board”) also continues to closely monitor and assess the impact on the Company’s portfolio operations and valuation and will take any further actions needed or as required under the terms of the Prospectus, as facts and circumstances are subject to change and may be specific to investment strategies and jurisdictions. Whilst it is not currently possible to predict future market conditions and therefore determine if any further action may be required, the action that may be required includes, but is not limited to, temporarily not accepting applications for Metal Securities, temporarily suspending Metal Securities from trading on Stock Exchanges or a compulsory redemption of Metal Securities.

##### *Coronavirus disease (COVID-19)*

The Board continues to monitor the advice and developments relating to COVID-19. The WisdomTree group has and continues to implement measures to maintain the ongoing safety and well-being of employees, whilst continuing to operate business as usual.

On 8 March 2023 the Company entered into an agreement with the Trustee and the Custodian to enable the Custodian to remove the gold bars within the Company’s custody accounts manufactured by Russian refiners and to replace them with bars that are not manufactured by Russian refiners. The exchange was completed on the same working day, with no impact on the total amount and value of gold held. As a result there are currently no gold bars held from Russian Refineries.

Other than as described above, the Company has not initiated any of these further actions to date. Any such action will be undertaken in accordance with the constitutive documents of the Metal Securities.

### 13. Financial Risk Management (continued)

(e) *Market Risk (continued)*

ii) *Interest Rate Risk*

The Company does not have significant exposure to interest rate risk as neither the Metal Bullion or the Metal Securities bear any interest.

iii) *Currency Risk*

The directors do not consider the Company to have a significant exposure to currency risk arising from the current economic uncertainties facing a number of countries around the world as the gains or losses on the liability represented by the Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion.

(f) *Sensitivity Analysis*

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by a reasonably possible change to the relevant risk variable.

The Company's rights and liabilities in respect of Metal Securities, relate to its contractual obligations to issue and redeem Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement on each trading day. The fair value of each creation and redemption of Metal Securities is recorded using the price published by the LBMA on the transaction date. However, under IFRS 13, the liability is recorded at fair value (being the on-exchange price) which results in a mismatch. As described in note 16 this mismatch is reversed on the redemption of Metal Securities.

As a result, the Company's contractual and economic liability in connection with the issue and redemption of Metal Securities is matched by movements in the corresponding Metal Bullion. Whilst sensitivity analysis could be performed on this mismatch, the Company does not ultimately have economic exposure to the on-exchange price, but to the contractual liability of the Metal Securities and consequently, the Company does not have any net exposure to market price risk. Furthermore the result of the numeric sensitivity is considered not material by the directors and in their opinion, no sensitivity analysis is required to be disclosed.

(g) *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.
- Level 3 fair values based on valuation techniques using inputs that are not based on observable market data.

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

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

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

**WisdomTree Metal Securities Limited****Notes to the Financial Statements (Continued)****13. Financial Risk Management (continued)***(g) Fair Value Hierarchy (continued)*

As disclosed in notes 2 and 9, the Company holds Metal Bullion on Loan under the Overdraft Facility, which are recorded at fair value using the latest price published by the LBMA. Therefore, Metal Bullion on Loan is classified as a level 2 asset, as the value is calculated using third party pricing sources, and the Overdraft Facilities are classified as a Level 2 liability as the value is calculated using third party pricing sources supported by observable, verifiable inputs.

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

	<b>Fair Value as at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
<b>Level 1</b>		
Metal Securities	<b>(10,158,646,104)</b>	<b>(12,648,717,954)</b>
<b>Level 2</b>		
Overdraft Facility	(1,067,510)	(721,961)
Metal Bullion on Loan	1,067,510	721,961
Metal Bullion	10,126,638,677	12,658,946,312
	<b>10,126,638,677</b>	<b>12,658,946,312</b>

Each of the Metal Securities, Overdraft Facility, the Metal Bullion on Loan and the Metal Bullion are recognised at fair value upon initial recognition and revalued to fair value in line with the Company's accounting policy. There are no assets or liabilities classified in level 3. Transfers between levels would be recognised if there was a change in circumstances that prevented public information in respect of Level 1 inputs from being available. Any such transfers would be recognised on the date of the change in circumstances that cause the transfer. There were no transfers or reclassifications between Level 1 and Level 2 for any of the assets or liabilities during the year.

**14. Ultimate Controlling Party**

In accordance with the disclosure requirements of IFRS the directors have determined that no entity meets the definition of immediate parent or ultimate controlling party. The holder of issued equity shares is HoldCo, a Jersey registered company. WisdomTree, Inc (formerly WisdomTree Investments, Inc) is the ultimate controlling party of HoldCo.

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

On 8 March 2023 the Company entered into an agreement with the Trustee and the Custodian to enable the Custodian to remove the gold bars within the Company's custody accounts manufactured by Russian refiners and to replace them with bars that are not manufactured by Russian refiners. The exchange was completed on the same working day, with no impact on the total amount and value of gold held. As a result there are currently no gold bars held from Russian Refineries.

There have been no other significant events that have occurred since the end of the reporting period up to the date of signing the Financial Statements which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2022, or on the results and cash flows of the Company for the year ended on that date.

## WisdomTree Metal Securities Limited

### Notes to the Financial Statements (Continued)



#### 16. Non-GAAP and Non-Statutory Information

As a result of the mis-match in the accounting valuation of Metal Bullion (held to support the Metal Securities) and Metal Securities (as disclosed in notes 7 and 8) the profits and losses and comprehensive income of the Company presented in the Statement of Profit or Loss and Other Comprehensive Income reflect gains and losses which represent the movement in the cumulative difference between the value of the Metal Bullion and the price of Metal Securities. The Statement of Changes in Equity also reflects the fair value movements on both the Metal Bullion (held to support the Metal Securities) and the Metal Securities.

These gains or losses on the difference between the value of the Metal Bullion (held to support the Metal Securities) and the price of Metal Securities would be reversed on a subsequent redemption of the Metal Securities and transfer of the corresponding Metal Bullion.

Furthermore, each class of Metal Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Metal Bullion (held to support the Metal Securities) and not to the Metal Bullion of any other class of Metal Security or to the Company. As a result, the Company does not make gains from trading in the underlying Metal Bullion (held to support the Metal Securities) and, from a commercial perspective (with the exception of the impact of Management Fees) gains and losses in respect of Metal Bullion (held to support the Metal Securities) will always be offset by a corresponding loss or gain on the Metal Securities and the Company does not retain any net gains or losses.

The mismatched accounting values are as shown below:

	Year ended 31 December	
	2022 USD	2021 USD
Change in Fair Value of Metal Bullion	(46,580,195)	(923,499,526)
Change in Fair Value of Metal Securities	4,344,412	954,236,235
	<b>(42,235,783)</b>	<b>30,736,709</b>

To reflect the commercial results, the Company has presented below a non-GAAP and non-Statutory Statement of Profit or Loss and Total Comprehensive Income and Statement of Changes in Equity for the period which reflect an Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Metal Securities, together with those gains or losses being transferred to a separate reserve which is deemed non-distributable.

#### (a) Non-GAAP and Non-Statutory Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December	
	2022 USD	2021 USD
Income	38,388,323	47,336,630
Expenses	(38,388,323)	(47,336,630)
<b>Result Before Fair Value Movements</b>	<b>-</b>	<b>-</b>
Change in Fair Value of Metal Bullion	(46,580,195)	(923,499,526)
Change in Fair Value of Metal Securities	4,344,412	954,236,235
<b>(Loss) / Profit for the Year</b>	<b>(42,235,783)</b>	<b>30,736,709</b>
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Metal Securities	42,235,783	(30,736,709)
<b>Adjusted Result</b>	<b>-</b>	<b>-</b>

## WisdomTree Metal Securities Limited

### Notes to the Financial Statements (Continued)



#### 16. Non-GAAP and Non-Statutory Information (continued)

##### (b) Non-GAAP and Non-Statutory Statement of Changes in Equity

	Stated Capital USD	Retained Earnings USD	Revaluation Reserve <sup>4</sup> USD	Total Equity USD	Adjusted Total Equity USD
<b>Opening Balance at 1 January 2021</b>	4	-	(20,508,355)	(20,508,351)	4
Result and Total Comprehensive Income for the Year	-	30,736,709	-	30,736,709	30,736,709
Transfer to Revaluation Reserve	-	(30,736,709)	30,736,709	-	-
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Metal Securities	-	-	-	-	(30,736,709)
<b>Balance at 31 December 2021</b>	<b>4</b>	<b>-</b>	<b>10,228,354</b>	<b>10,228,358</b>	<b>4</b>
Opening Balance at 1 January 2022	4	-	10,228,354	10,228,358	4
Result and Total Comprehensive Expense for the Year	-	(42,235,783)	-	(42,235,783)	(42,235,783)
Transfer to Revaluation Reserve	-	42,235,783	(42,235,783)	-	-
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Metal Securities	-	-	-	-	42,235,783
<b>Balance at 31 December 2022</b>	<b>4</b>	<b>-</b>	<b>(32,007,430)</b>	<b>(32,007,426)</b>	<b>4</b>

<sup>4</sup> This represents the difference between the value of Metal Bullion and the price of Metal Securities.

