ETFS METAL SECURITIES LIMITED

Registered No: 95996

Report and Financial Statements for the Year ended 31 December 2009

CONTENTS

ETFS METAL SECURITIES LIMITED

MANAGEMENT AND ADMINISTRATION

Directors

Mr Graham J Tuckwell – Chairman
Mr Greg J Burgess
Mr Graeme D Ross
Mr Craig A Stewart

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St Helier
Jersey
JE4 8PW

Jersey Legal Advisers

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JE4 8PX

Manager

ETF Securities Limited
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Jersey
JE4 8PW

Auditors

Deloitte LLP
Lord Coutanche House
66-68 Esplanade
St Helier
Jersey
JE4 8WA

Trustee

The Law Debenture Trust Corporation plc
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London
EC2V 7EX

Administrator and Company Secretary

R&H Fund Services (Jersey) Limited
Ordnance House
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JE4 8PW

English Legal Advisers

Dechert LLP
160 Queen Victoria Street
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Registrar

Computershare Investor Services (Jersey) Limited
Ordnance House
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Initial Securities Custodian

HSBC Bank USA, NA, London Branch
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E14 5HQ

Swiss Gold Custodian

JP Morgan Chase Bank, National Association, London Branch
125 London Wall
London
EC2Y 5AJ

The directors of ETFS Metal Securities Limited ("MSL" or "the Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2009.

Directors

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

Mr Graham J Tuckwell - Chairman	
Mr Greg J Burgess	(appointed 2 June 2009)
Mr Graeme D Ross	
Mr Craig A Stewart	
Dr Leanne M Baker	(resigned 2 June 2009)
Mr Benjamin M Cukier	(resigned 2 June 2009)
Dr Vince WJ FitzGerald	(resigned 2 June 2009)
Mr Jim C Wiandt	(resigned 2 June 2009)

Principal Activities

The Company's principal activity is the listing and issue of metal securities ("Metal Securities"). These securities allow investors to gain exposure to the precious metals market without needing to take physical delivery of Metal Bullion (platinum, palladium, silver and gold). 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 instrument the Trustee ensures that the Metal Securities are secured on an amount of Metal Bullion equivalent to the Metal Entitlement of each Metal Security. This Metal Bullion is held in custody by designated custodians or its sub custodians and the subject of fixed 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, through an appropriate counterparty, 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.

The Company earns a management fee by reducing the Metal Entitlement of each class of security on a daily basis by an agreed amount (the "Management Fee"). The Management Fee is received in the form of Metal Bullion on a monthly basis following agreement from the Trustee.

The Company has entered into a service agreement with its parent, ETF Securities Limited ("ETFSL"), whereby ETFSL is responsible for any advisory or consultancy services required by the Company, including advertising and all costs relating to the listing and issuance of securities. In return for these services, the Company must transfer to ETFSL the Management Fee described above. As a result, all Metal Bullion is transferred directly to ETFSL and there are no cash or Metal Bullion flows through the Company in relation to the Management Fee.

Review of Operations

During the year, the Company had the following classes of security in issue and admitted to trading on the following exchanges. Where the security has been admitted to trading after 1 January 2009, the date is provided.

Security	London Stock Exchange	Borsa Italia	Deutsche Börse	NYSE Euronext Amsterdam	NYSE Euronext Paris	Tokyo Stock Exchange
ETFS Physical Platinum	✓	✓	✓	✓	✓	Aug 2009
ETFS Physical Palladium	✓	✓	✓	✓	✓	Aug 2009
ETFS Physical Silver	✓	✓	✓	✓	✓	Aug 2009
ETFS Physical Gold	✓	✓	✓	✓	✓	Aug 2009
ETFS Physical Basket	✓	✓	✓	✓	✓	Aug 2009
ETFS Physical Swiss Gold Securities	Dec 2009	-	-	-	-	-

In August 2009, the Company listed Metal Securities on the Tokyo Stock Exchange, the first physically backed exchange traded commodities available to the Japanese market. ETFS Physical Swiss Gold Securities were listed on the Official List of the UKLA and admitted to trading on the London Stock Exchange on 16 December 2009. Following the year end, these securities were listed on the Deutsche Börse on 20 January 2010.

As at 31 December 2009, the Company had USD 4,970 million (2008: USD 1,985 million) assets under management. The Company recognises its assets (Metal Bullion) and liabilities (Metal Securities) at fair value in the statement of financial position.

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

	2009 USD	2008 USD
Management Fees	14,930,523	7,745,914
Creation and Redemption Fees	202,660	165,816
Total Fee income	15,133,183	7,911,730

Under the terms of the Service Agreement with ETFSL, the Company accrued expenses equal to the Management Fees, which, after taking into account other operating income and expenses, resulted in an operating profit of:

	2009 USD	2008 USD
Operating profit for the year	216,889	131,529

The gain or loss on Metal Securities and Metal Bullion is recognised in the statement of comprehensive income in line with the Company's accounting policy, these gains or losses offset each other.

The Company's exposure to risk is discussed in note 12 to the accounts.

Future Developments

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

Dividends

The Company has declared dividends for 2009 of USD 411,485. As at 31 December 2009, USD 202,672 had been settled in cash and USD 4 settled against Stated Capital receivable by the Company. 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.

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.

Directors' Interests

The following table sets out the only director's interests in Ordinary shares as at the date of this report:

	Ordinary Shares of Nil Par Value
Graham J Tuckwell (as controlling party of ETFSL)	2

Directors' Remuneration

The following table discloses the remuneration of the directors of the Company which has been paid by ETFSL on behalf of the company:

	2009 Fees GBP	2008 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (appointed 2 June 2009)	Nil	Nil
Mr Graeme D Ross	5,000	5,000
Mr Craig A Stewart	5,000	5,000
Dr Vincent WJ FitzGerald (resigned 2 June 2009)	Nil	Nil
Mr Benjamin M Cukier (resigned 2 June 2009)	Nil	Nil
Mr Jim C Wiandt (resigned 2 June 2009)	Nil	Nil
Dr Leanne M Baker (resigned 2 June 2009)	Nil	Nil

Auditors

Ernst & Young LLP resigned as auditors on 12 December 2009. Deloitte LLP were appointed as auditors on 12 December 2009. A resolution to reappoint Deloitte LLP as the auditors of the Company will be proposed at the next meeting of the directors.

Craig A Stewart
Director
Jersey
29 April 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As required by the Disclosure and Transparency Rules of the UK Listing Authority, the directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Directors' Report includes a fair review of the developments and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board.

C Stewart

Craig A Stewart
Director

29 April 2010

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of ETFS Metal Securities Limited for the year ended 31 December 2009 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in shareholders' equity and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended; and
- The financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Christopher Leck MA, FCA,
For and on behalf of Deloitte LLP
Chartered Accountants
St. Helier, Jersey

29 April 2010

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2009 USD	2008 USD
Revenue	2	15,133,183	7,911,730
Expenses			
Fees to ETFSL	2	(14,930,523)	(7,745,914)
Other operating income / (expense)		14, 229	(34,287)
Operating profit	2	216,889	131,529
Net gain / (loss) arising on fair value of Metal Bullion	7	656,037,450	(420,779,189)
Net (loss) / gain arising on fair value of Metal Securities	8	(656,037,450)	420,779,189
Profit and total comprehensive income for the year		216,889	131,529

The directors consider the Company's activities are continuing.

The notes on pages 11 to 19 form part of these financial statements

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2009 USD	2008 USD
Current Assets			
Cash and Cash Equivalents		180,288	172,919
Trade and Other Receivables	6	1,805,397	683,911
Metal Bullion	7	4,970,499,124	1,985,390,511
Amounts receivable awaiting settlement	7,8	2,692,321	15,109,772
Total Assets		4,975,177,130	2,001,357,113
Current Liabilities			
Metal Securities	8	4,970,499,124	1,985,390,511
Amounts payable awaiting settlement	7,8	2,692,321	15,109,772
Trade and Other Payables	9	1,975,655	652,204
Total Liabilities		4,975,167,100	2,001,152,487
Equity			
Stated Capital	10	4	4
Retained Profits		10,026	204,622
Total Equity		10,030	204,626
Total Equity and Liabilities		4,975,177,130	2,001,357,113

The financial statements on pages 7 to 19 were approved by the board of directors and signed on its behalf on 29 April 2010.

C Stewart

Craig A Stewart
Director

The notes on pages 11 to 19 form part of these financial statements

ETFS METAL SECURITIES LIMITED

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2009 USD	2008 USD
Cash flows from operating activities		
Cash receipts from operations	173,324	169,983
Related party creation and redemption fees received in error	22,488	-
Cash generated from operations	195,812	169,983
Bank interest received	567	3,624
Bank charges paid	(220)	(113)
Net cash generated from operating activities	196,159	173,494
Cash flows from financing activities		
Dividends paid	(202,672)	-
Net cash used by financing activities	(202,672)	-
Net (decrease) / increase in cash and cash equivalents	(6,513)	173,494
Cash and cash equivalents at the beginning of the year	172,919	36,902
Net (decrease) / increase in cash and cash equivalents	(6,513)	173,494
Exchange adjustment on revaluation of bank accounts	13,882	(37,477)
Cash and cash equivalents at the end of the year	180,288	172,919

Metal Securities issued or redeemed by receipt / transfer of Metal Bullion has been excluded in the statement of cash flows.

The notes on pages 11 to 19 form part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Stated Capital USD	Retained Earnings USD	Total Equity USD
Opening Balance at 1 January 2008	4	73,093	73,097
Total comprehensive income for the year	-	131,529	131,529
Balance at 31 December 2008	4	204,622	204,626
Opening Balance at 1 January 2009	4	204,622	204,626
Total comprehensive income for the year	-	216,889	216,889
Dividends	-	(411,485)	(411,485)
Balance at 31 December 2009	4	10,026	10,030

The notes on pages 11 to 19 form part of these financial statements

1. 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) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Metal Bullion and financial liabilities held at fair value through profit or loss.

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.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these financial statements is in respect of the valuation of the Metal Securities held at fair value through profit or loss as disclosed in note 8.

(a) Standards, amendments and interpretations effective on 1 January 2009:

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in any significant change to the presentation of the Company's performance statement, as the Company has no elements of other comprehensive income.

Amendment to IAS 39 Financial instruments: Recognition and Measurement. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of a financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended.

This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Company's financial statements.

Amendment to IFRS 7 Financial instruments: Disclosures. The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The fair value hierarchy has the following levels:

- Quoted prices in active markets for the assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The adoption of the amendment results in additional disclosures but does not have an impact on the Company's financial position or performance.

(b) *Standards, amendments and interpretations effective on 1 January 2009 but not relevant to the Company:*

Amendments to IAS 23	Borrowing costs;
Amendments to IAS 39 and IFRIC 9	Embedded derivatives;
Amendments to IAS 39 and IFRS 7	Reclassification of financial assets;
Amendments to IAS 39	Financial instruments: Presentation
Amendments to IFRS 1	First-time adoption of IFRS and IAS 27 Consolidated and separate financial statements;
Amendments to IFRS 2	Share-based payment;
IFRS 8	Operating segments; and
IFRIC 15	Agreements for construction of real estates.

(c) *Standards, amendments and interpretations that are not yet effective and not relevant for the Company's operations:*

The following interpretations are mandatory for the Company's accounting periods beginning on or after 1 July 2009 or later periods but are not relevant for the Company's operations:

Amendments to IAS 27	Consolidated and separate financial statements;
Amendments to IAS 39	Financial instruments: Recognition and measurement;
Amendments to IFRS 1	Additional exemptions for first-time adopters;
Amendments to IFRS 2	Group cash-settled share-based payment transactions;
Amendments to IFRS 3	Business combinations;
IFRIC 17	Distributions of non-cash assets to owners;
IFRIC 18	Transfers of assets from customers; and
IFRS 9	Financial instruments.

'Improvements to IFRS' were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider to be non-urgent but necessary. It comprises amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual accounting periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

Going Concern

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

Metal Securities

i) Issuance and Redemption

The Company has entered into a Trust Instrument with The Law Debenture Trust Corporation plc ("Law Debenture") to permit the Company to issue Metal Securities. The conditions of issue are set out in the Trust Instrument. Each time a Metal Security is issued or redeemed by the Company a matching amount of Metal Bullion is transferred into or from the relevant secured account held by the Custodian.

Financial liabilities are recognised and de-recognised on the trade date.

ii) Pricing

Metal Securities are priced on a daily basis based on the Metal Entitlement of each class of security and the value of the Metal Bullion using the appropriate fixing price from either the London Platinum and Palladium Market (LPPM) or the London Bullion Market Association (LBMA).

iii) Designation at fair value through Profit or Loss

Metal Securities in issue are designated at fair value through the profit or loss upon initial recognition. This is in order to eliminate the measurement mismatch with Metal Bullion enabling gains or losses on both the Metal Security and Metal Bullion to be recorded in the statement of comprehensive income.

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. The Metal Bullion held is marked to fair value and movements are recorded in the statement of comprehensive income.

The fair value is calculated using the latest quote provided by the LPPM and the LBMA.

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 trade date (T). Where settlement pricing is applied, the trade will not settle until T+3. Where trades are awaiting settlement at the year end, they are separately disclosed within the relevant assets and liabilities recognised on the statement of financial position.

Revenue Recognition

Revenue is recognised to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Fees received for the issue and redemption of securities are recognised at the date on which the transaction becomes legally binding. All other income and expense are recognised on an accruals basis.

Foreign Currency Translation

The presentational and functional currencies of the Company are both USD.

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 quarter in which they are incurred. The resulting differences are accounted for in the statement of comprehensive income.

Segmental Reporting

The Company has not provided segmental information, as the Company has only one business or product group, precious metals, and one geographical segment. All information relevant to the understanding of the Company's activities is included in these financial statements.

Interest Income

Interest income is recognised on an accruals basis

Cash and Cash Equivalents

Cash and Cash Equivalents include deposits held at call with banks.

2. Operating Profit

Operating profit for the year comprised:

	Year ended 31 December	
	2009	2008
	USD	USD
Creation and Redemption Fees	202,660	165,816
Management Fees	14,930,523	7,745,914
Total revenue	15,133,183	7,911,730
Fees to ETFSL	(14,930,523)	(7,745,914)
Finance charges	347	3,190
Net foreign exchange gain / loss	13,882	(37,477)
Total operating expenses	(14,916,214)	(7,780,201)
Operating profit	216,889	131,529

Audit fees for the year of GBP 23,000 (2008: GBP 25,600) were met by ETFSL.

3. Directors' Remuneration

The following table discloses the remuneration of the directors of the Company. All Directors' fees were met by ETFSL.

	Year ended 31 December	
	2009	2008
	GBP	GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg Burgess (appointed 2 June 2009)	Nil	Nil
Dr Vince WJ FitzGerald (resigned 2 June 2009)	Nil	Nil
Mr Graeme D Ross	5,000	5,000
Mr Craig A Stewart	5,000	5,000
Dr Leanne M Baker (resigned 2 June 2009)	Nil	Nil
Mr Benjamin M Cukier (resigned 2 June 2009)	Nil	Nil
Mr Jim C Wiandt (resigned 2 June 2009)	Nil	Nil

4. Taxation

With effect from the 2009 year of assessment, Jersey abolished the exempt company regime for existing companies. Profits arising in the Company for the 2009 year of assessment and future periods will be subject to tax at the rate of zero per cent. In the prior year the Company was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

5. Employee Benefits

The Company has no employees and has paid no remuneration or benefits during the year in respect of employees.

6. Trade and Other Receivables

	Year Ended 31 December	
	2009	2008
	USD	USD
Management Fee receivable	1,744,358	652,204
Creation and Redemption Fees receivable	61,039	31,703
Stated Capital receivable	-	4
	1,805,397	683,911

7. Metal Bullion

Metal Bullion held by the Company is subject to a fixed charge in favour of the Trustee to secure the obligations owed by the Company to the Trustee and the holders of Metal Securities. The Metal Bullion held can be analysed as follows:

	Year Ended 31 December	
	2009	2008
	USD	USD
Fair value on delivery	4,314,461,634	2,391,059,928
Change in fair value	656,037,450	(420,779,189)
Metal Bullion held	4,970,499,124	1,985,390,511

At the year end, there were certain amounts of Metal Bullion awaiting the creation or (redemption) of securities with trade dates before the year end and settlement dates in the following year. The amount (payable) or receivable on completion of these trades is USD (2,692,321) (2008: USD 15,109,772).

All Metal Bullion assets have been valued using the AM fix on 31 December 2009 as quoted by the LPPM and the LBMA being the last fix prices available for the year.

8. Metal Securities

	Year Ended 31 December	
	2009	2008
	USD	USD
Fair value on issue	4,314,461,634	2,406,169,700
Change in fair value	656,037,450	(420,779,189)
Metal Securities	4,970,499,124	1,985,390,511

At the year end, there were certain securities awaiting creation or (redemption) with trade dates before the year end and settlement dates in the following year. The amount (receivable) or payable on completion of these trades is USD (2,692,321) (2008: USD 15,109,772).

Whilst the Metal Securities are quoted on the open market, the Company's liability relates to its contractual obligations to trade with certain counterparties at set prices on each trading day. These prices are based on an agreed formula and are equal to the published NAV's of each class of Metal Security. Therefore Metal Securities are classified as level 2 financial liabilities as they are calculated using third party pricing sources supported by observable, verifiable inputs.

	Fair value 2009 USD	Fair value 2008 USD
Level 2	4,970,499,124	1,985,390,511

There are no financial assets or liabilities classified in levels 1 or 3. There were no reclassifications between levels during the year.

9. Trade and Other Payables

	2009 USD	2008 USD
Fees payable to ETFSL	1,744,358	652,204
Dividends payable to ETFSL	208,809	-
Creation and Redemption fees due to related company	22,488	-
	1,975,655	652,204

The Company is liable to pay USD 22,488 to ETFS Commodity Securities Limited ("CSL") as a result of the Company receiving creation and redemption fees that were intended for CSL.

10. Stated Capital

	2009 USD	2008 USD
2 shares issued for a premium of GBP 1 each	4	4

The Company has an unlimited capital of no par value shares.

All shares issued by the Company carry one vote per share without restriction and carry the right to dividends.

11. Related Party Disclosures

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

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

The following balances were due from / (to) ETFSL at the year end:

	2009 USD	2008 USD
Management Fees payable at the end of the year	(1,744,358)	(652,204)
Stated Capital receivable	-	4
	(1,744,358)	(652,200)

As disclosed in note 3 above, ETF Securities Limited paid Directors' fees in respect of the Company of GBP 10,000 (2008: GBP 10,000).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited, the administrator, and Computershare Investor Services (Jersey) Limited, the registrar. During the year, R&H charged ETFSL secretarial and administration fees in respect of the Company of GBP 75,000 (2008: GBP 50,000), of which GBP 18,750 (2008: GBP 12,500) was outstanding at the year end. Computershare charged ETFSL fees in respect of the Company of GBP 14,960 (2008: GBP 5,578), of which GBP 4,000 (2008: GBP 3,521) was outstanding at the year end.

The Company owes ETFSL's subsidiary, ETFS Commodity Securities Limited, USD 22,488 in respect of creation and redemption fees paid to the Company in error.

Graham J Tuckwell is also a director of the parent company, ETFSL.

12. Financial Risk Management

The Company is exposed to a number of risks arising from its activities. The risk management policies employed by the Company to manage these are discussed below.

(a) *Interest Rate Risk*

The Company's exposure to the risk relates to the interest on the long term loan notes that carry interest at a rate of 5% per annum. The risk is minimised by the fact that the holder of the loan notes is the Company's Holding Company, ETFSL, which owns the entire share capital of MSL.

The risk is further minimised due to the fact that during the year that Company provided ETFSL with a loan which also carries interest at a rate of 5% per annum. Since the interest on the loan notes is equal to the interest on the loan, the net interest rate risk at the Company level is nil.

Further disclosure is given in note 14.

(b) *Market Risk*

The Metal Securities bear no interest. The Company's liability is related to the Metal Bullion prices and is managed by the Company by holding Metal Bullion in exactly the same quantity as its liability. Therefore, the Company bears no financial risk from a change in the price of Metal Bullion.

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. The market price of Metal Securities is 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.

The Company holds a current account at a large international bank and this is where cash received from the creation and redemption fees is held. The rate of interest received on the account is at the bank's variable rate. Due to the low level of cash held in the account, the directors do not believe that any move in interest rates would seriously affect the operations of the Company.

(c) *Credit Risk*

The Company's exposure to risk relates to the long term loan of USD 350,000,000 that the Company holds. The risk is minimised by the fact that the borrower of the loan is ETFSL. This risk is further minimised by the fact that ETFSL is also the holder of the Company's loan notes, which have the same carrying amount. It is stated in the loan agreement that the loan and loan notes can be offset against each other in part or in their entirety on default. As described in note 14, the loan notes and intercompany loan have been offset in the financial statements.

With regard to the insurance of the Metal Bullion, the Custodian may make such insurance arrangements in connection with its custodial obligations with respect to Metal Bullion in allocated form as it considers fit. The Custodian has no obligation to insure such Metal Bullion against loss, theft or damage and the Company does not intend to insure against such risks. In addition, the Trustee is not responsible for ensuring that adequate insurance arrangements have been made, or for insuring the Metal Bullion held in the Secured Metal Accounts, and shall not be required to make any enquiry regarding such matters.

Accordingly, there is a risk that the 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.

(d) *Liquidity Risk*

The directors believe that the loan notes will not give rise to any liquidity problems as it is anticipated that the corresponding loan receivable from ETFSL will mature at the same time. Both the loan notes and the loan are due to mature on 17 April 2012 (see note 14).

When Metal Securities are redeemed, the Company returns the corresponding amount of Metal Bullion determined by the Metal Entitlement. The market value of the Metal Bullion returned will always be the same as that of the securities being redeemed. Therefore any redemption of securities would not impact the liquidity of the Company.

(e) *Capital Management*

The Company's principal activity is the listing and issue of Metal Securities. These securities are issued as demand requires. The Company holds a corresponding amount of Metal Bullion which exactly matches the total securities issued. ETFSL supplies and arranges the supply of all administrative services to the Company and pays all management and administration costs of the Company, including Trustee and Custodian fees, in return for which the Company pays ETFSL the Management Fee in line with the Service Level Agreement.

As all Metal Securities on issue are supported by an equivalent amount of physical Bullion held by the Custodian and the Swiss Gold Custodian and the running costs of the Company are paid by ETFSL, the Directors of this Company consider the capital management and value of Shareholders Funds are adequate to maintain the on-going listing and issue of Metal Securities.

(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 comprehensive income and shareholders equity would have been affected by a reasonably possible change to the relevant risk variable.

As disclosed in the directors' report, the Company's liability in connection with the issue of Metal Securities is matched by movements in the corresponding Metal Bullion. Consequently, the Company is not exposed to market price risk. Therefore, in the directors' opinion, no sensitivity analysis is required to be disclosed.

(g) *Settlement Risk*

There is an element of risk in respect of the settlement of the Metal Securities, given that the Company's trading counterparty could fail to deliver the Metal Bullion on the given settlement date.

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

13. Ultimate Controlling Party

As the majority shareholder in the Company's parent entity, ETFSL, the ultimate controlling party is Graham J Tuckwell.

14. Off-balance Sheet Intercompany Loan and Loan Notes

Under the UCITS directive, a UCITS Fund subscribing to MSL is prohibited from holding more than 10 per cent of the debt securities (metal securities and loan notes) issued by MSL. The Company proposed to issue a 5% unsecured limited recourse note due 2012 to ETFSL. The issue of this note enables the Company to increase the number of securities in issue, which will in turn increase the number of securities that a UCITS Fund will be able to subscribe for.

ETFSL and MSL entered into an Intercompany Loan Agreement on 18 April 2007. The principal amount of the loan was USD 150,000,000, the loan is a 5% unsecured limited recourse loan due 2012. The loan was further increased to USD 350,000,000 on 9 August 2007.

Interest is accrued on the loan due from ETFSL and loan notes due to ETFSL of USD 350,000,000 annually in arrears, at a rate of 5% per annum. The interest is due on each interest payment date per the term of the loan agreement and conditions of the loan notes.

No physical cash was exchanged in respect of the loan and the loan notes or on the related interest. Both parties did not feel that there would be any benefit to either party in transferring the money as the key terms and conditions, being the principal amount, the interest and the repayments terms, were identical for both the intercompany loan and the loan note agreements. Both parties also felt that it would be more beneficial to avoid the large bank charges that would be incurred in moving such monies.

The loan notes and the loan are not disclosed on a gross basis in the primary statements and have been offset against each other. This is a result of the key terms of both the loan and loan notes being identical and that they are legally offsetable. There is no impact on the profit for the period as the interest received for the loan exactly matches the interest which would be paid on the loan notes. In addition, no interest amounts were paid or received during the period. As a result, in the opinion of the directors, offsetting the intercompany loan and loan notes, along with any related interest amounts, reflects the substance of the transaction.