ETFS METAL SECURITIES LIMITED

Registered No: 95996

Report and Financial Statements for the Year ended 31 December 2011

CONTENTS

MANAGEMENT AND ADMINISTRATION

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Mr Graeme D Ross
Mr Craig A Stewart
Mr Thomas K Quigley

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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 2011.

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 Graeme D Ross
Mr Craig A Stewart
Mr Thomas K Quigley

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 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 bullion equivalent to the Metal Entitlement of each Metal Security. This bullion is held in custody by designated custodians or its sub-custodians and the subject of fixed charges in favour of the Trustee. 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 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") and paid monthly in arrears. The Management Fee is received in the form of bullion on a monthly basis following agreement from the Trustee.

The Company had entered into a service agreement with ETF Securities Limited ("ETFSL"), whereby ETFSL was responsible for 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 transferred to ETFSL a Management Fee as described above. As a result, all bullion in respect of the Management Fee is transferred directly to ETFSL and there are no cash or bullion flows through the Company in relation to the Management Fee. As part of a Group restructuring exercise the directors agreed to transfer the management responsibilities of the Company on 1 January 2011 from ETFSL to ETFS Management Company (Jersey) Limited ("ManJer"). ManJer advised that it was willing to continue to provide the services previously provided by ETFSL to the Company in exchange for the Management Fee described above and Creation and Redemption Fees. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

Review of Operations

During the year, the Company had the following classes of security in issue and admitted to trading on the following exchanges:

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

Review of Operations - continued

As at 31 December 2011, the Company had USD 9,034 million (2010: USD 8,507 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:

	2011 USD	2010 USD
Management Fees	38,190,582	26,570,871
Creation and Redemption Fees	260,974	242,464
Total Fee Income	38,451,556	26,813,335

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

	2011 USD	2010 USD
Operating Profit for the Year	-	242,071

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 financial statements.

Country and Currency Risk

The directors do not consider the Company to have a significant exposure to risk relating to country and currency risk arising from the current economic uncertainties facing a number of countries around the world.

Each Security comprises a debt instrument whose redemption price is linked directly to the price of the relevant underlying metal bullion. The Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the metal bullion and not to the Company. In addition, since any such price movements are wholly attributable to the Security holders, the Company has no residual exposure to price movements of the metal bullion. From a commercial perspective it is clear that gains or losses on the liability represented by the Securities are matched economically by losses or gains attributable to the metal securities. The Company has no net exposure.

Movements in the price of the underlying metal bullion, and thus the value of the Securities, may vary widely which could have an impact on the demand for the Securities issued by the Company. This is considered in notes 7 and 8.

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

During the year the Company made payment of dividends amounting to USD 90,119 (2010: USD 161,978). 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

Auditor

A resolution to reappoint Deloitte LLP as the auditor of the Company will be proposed at the next meeting of the directors.

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 do not consider the Company is required 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 above. With the exception of Mr Quigley, the directors are either members of the board of the Ultimate Parent Company, ETFSL, or members of the board of the Company's Administrator, R&H Fund Services (Jersey) Limited, and will continue to have such a composition of directors beyond the next meeting of the directors.

The board of directors meet as is 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.

Directors' Remuneration

No director has a service contract with the Company and details of the directors' remuneration which has been paid by ManJer on behalf of the Company for the period is disclosed below. In the previous year the fees were paid by ETFSL.

	2011 Fees GBP	2010 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	7,500	5,000
Mr Craig A Stewart	7,500	5,000
Mr Thomas K Quigley	Nil	Nil

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 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.

Internal Control - continued

The Company was dependent upon ManJer to provide management and administration services to it. ManJer has outsourced the administration services to a regulated service provider in Jersey, R&H Fund Services (Jersey) Limited ("R&H"). In addition ManJer is classified as a Managed Entity under Jersey regulation and is reliant upon R&H for the provision of additional Management services under the Manager of a Managed Entity ("MoME") regime. Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an on going basis by the board of the ultimate parent company, ETF Securities Limited through their review of periodic reports and quarterly management accounts of the Company.

ManJer promotes and provides management and other services to both the Company and other companies issuing commodity based securities.

The board having reviewed the effectiveness of the internal control systems of the Manager and R&H, and having a regard to the role of its external auditors, 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 has met 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 auditors.

Graeme D Ross
Director
Jersey
9 March 2012

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.

By order of the board.

Graeme Ross

Graeme D Ross
Director

9 March 2012

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of ETFS Metal Securities Limited for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

AIsham

Andrew Isham, BA, FCA
For and on behalf of Deloitte LLP
Chartered Accountants and recognized Auditors
St. Helier, Jersey
9 March 2012

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2011 USD	2010 USD
Revenue	2	38,451,556	26,813,335
Expenses			
Management Fees to ETFSL	2	-	(26,570,871)
Management Fees to ManJer	2	(38,453,184)	-
Other Operating Expenses		1,628	(393)
Operating Profit	2	-	242,071
Net Gain Arising on Fair Value of Metal Bullion	7	377,001,322	1,948,575,442
Net Loss Arising on Fair Value of Metal Securities	8	(377,001,322)	(1,948,575,442)
Profit and Total Comprehensive Income for the Year		-	242,071

The directors consider the Company's activities are continuing.

The notes on pages 12 to 20 form part of these financial statements

	Note	As at 31 December 2011 USD	As at 31 December 2010 USD
Current Assets			
Cash and Cash Equivalents		1,633	68
Trade and Other Receivables	6	3,271,754	3,065,990
Metal Bullion	7	9,034,464,204	8,506,963,977
Amounts Receivable Awaiting Settlement	7	5,908,525	46,881,313
Total Assets		9,043,646,116	8,556,911,348
Current Liabilities			
Metal Securities	8	9,034,464,204	8,506,963,977
Amounts Payable Awaiting Settlement	8	5,908,525	46,881,313
Trade and Other Payables	9	3,273,383	2,975,935
Total Liabilities		9,043,646,112	8,556,821,225
Equity			
Stated Capital	10	4	4
Retained Profits		-	90,119
Total Equity		4	90,123
Total Equity and Liabilities		9,043,646,116	8,556,911,348

The financial statements on pages 8 to 20 were approved by the board of directors and signed on its behalf on 9 March 2012.

Graeme Ross

Graeme D Ross
Director

The notes on pages 12 to 20 form part of these financial statements

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2011	**2010**
	USD	**USD**
Operating Profit for the Year	**-**	**242,071**
Changes in Operating Assets and Liabilities		
Increase in Receivables	(205,764)	(1,260,593)
Increase in Payables	297,448	1,000,280
Cash Generated from/(Used in)Operations	91,684	(18,242)
Cash Flows from Financing Activities		
Dividends Paid	(90,119)	(161,978)
Net Cash Used by Financing Activities	(90,119)	(161,978)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,565	(180,220)
Cash and Cash Equivalents at the Beginning of the Year	68	180,288
Net Increase/(Decrease) in Cash and Cash Equivalents	1,565	(180,220)
Cash and Cash Equivalents at the End of the Year	1,633	68

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

The notes on pages 12 to 20 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Stated Capital USD	Retained Earnings USD	Total Equity USD
Opening Balance at 1 January 2010	4	10,026	10,030
Total Comprehensive Income for the Year	-	242,071	242,071
Dividends (USD 80,989 per share)	-	(161,978)	(161,978)
Balance at 31 December 2010	4	90,119	90,123
Opening Balance at 1 January 2011	4	90,119	90,123
Total Comprehensive Income for the Year	-	-	-
Dividends (USD 45,059.50 per share)	-	(90,119)	(90,119)
Balance at 31 December 2011	4	-	4

The notes on pages 12 to 20 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") as 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 Bullion and Metal Securities held at fair value through profit or loss as disclosed in notes 7 and 8. Actual results could vary from these estimates.

(a) *Standards, amendments and interpretations effective on 1 January 2011:*

- Various improvements to IFRSs issued in 2010 (Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011)
- IAS 24 (revised in 2009) "Related Party Disclosures" (effective 1 January 2011)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The adoption of the improvements and interpretation resulted in additional disclosures but did not have an impact on the Company's financial position or performance.

(b) *Standards, amendments and interpretations effective on 1 January 2011 but not relevant to the Company:*

- IFRIC 14 "Prepayments of a Minimum Funding Requirement" (effective January 2011)
- Amendments to IAS 31 "'Classification of Rights Issues"
- Improvements to IFRSs issued in 2010

(c) *Standards, amendments and interpretations that are in issue but not yet effective:*

- IFRS 7 "Disclosures" (effective 1 July 2011)
- IFRS 9 "Financial Instruments" (effective 1 January 2015)
- IFRS 10 "Consolidated financial Statements" (effective 1 January 2013)
- IFRS 11 "Joint Arrangements" (effective 1 January 2013)
- IFRS12 "Disclosure of Interest in Other Entities" (effective 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendments to IAS 1 "Presentation of items of other comprehensive income" (effective 1 July 2012)
- Amendments to IAS 19 "Employee Benefits" (effective 1 January 2013)
- IAS 27 (Revised May 2011) "Separate Financial statements" (effective 1 January 2013)
- IAS28 (Revised May 2011) "Investments in Associates and Joint Ventures" (effective 1 January 2013)
- Various improvements to IFRSs issued in 2011 (effective 1 January 2013)

The directors anticipate that the adoption of these standards in future periods will have no material financial impact. The directors have considered other new and revised standards and they believe that they are not relevant to the Company's activities.

1. Accounting Policies - continued

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 were met by ManJer and will continue to be met by ManJer; 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, the monetary amount due to be settled is separately disclosed within the relevant assets and liabilities 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 accrual basis.

1. Accounting Policies - continued

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 which is UK and Europe. 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	
	2011 USD	2010 USD
Creation and Redemption Fees	260,974	242,464
Management Fees	38,190,582	26,570,871
Total Revenue	38,451,556	26,813,335
Management Fees to ETFSL	-	(26,570,871)
Management Fees to ManJer	(38,453,184)	-
Net Finance Charges	12	271
Net Foreign Exchange Gain/(Loss)	1,616	(664)
Total Operating Expenses	(38,451,556)	(26,571,264)
Operating Profit	-	242,071

Audit fees for the year of GBP 23,700 will be met by ManJer. In the previous year the fees of GBP 23,000 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 ManJer. In the previous year the fees were met by ETFSL.

	Year ended 31December	
	2011	2010
	GBP	GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	7,500	5,000
Mr Craig A Stewart	7,500	5,000
Mr Thomas K Quigley	Nil	Nil

4. Taxation

Profits arising in the Company are subject to tax at the rate of zero per cent.

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

	As at 31 December	
	2011	2010
	USD	USD
Management Fee	3,143,469	2,975,935
Creation and Redemption Fees	128,285	90,055
	3,271,754	3,065,990

7. Metal Bullion

	As at 31 December	
	2011	2010
	USD	USD
Change in Fair Value for the Year	377,001,322	1,948,575,442
Metal Bullion Held	9,034,464,204	8,506,963,977

At 31 December 2011, there were certain amounts of bullion awaiting the creation or (redemption) of securities 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 (5,908,525) (2010: USD 46,881,313).

All bullion assets have been valued using the AM fix on 30 December 2011 as quoted by the LPPM and the LBMA being the last fix prices available for the year.

8. Metal Securities

	As at 31 December	
	2011	2010
	USD	USD
Change in Fair Value for the Year	377,001,322	1,948,575,442
Metal Securities	9,034,464,204	8,506,963,977

At 31 December 2011, 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 5,908,525 (2010: USD (46,881,313)).

9. Trade and Other Payables

	As at 31 December	
	2011	2010
	USD	USD
Fees Payable to ETFSL	-	2,975,935
Fees Payable to ManJer	3,273,383	-
	3,273,383	2,975,935

10. Stated Capital

	As at 31 December	
	2011	2010
	USD	USD
2 Shares Issued for 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. All shares are held by ETFS Holdings (Jersey) Limited ("HoldCo").

11. Related Party Disclosures

The immediate parent company is HoldCo, a Jersey registered company. The ultimate controlling party is Graham J Tuckwell through his shareholding in ETFSL. ETFSL is the parent company of HoldCo.

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

Management fees paid to ETFSL during the year ended 31 December 2011:

	As at 31 December	
	2011	2010
	USD	USD
Management Fees	-	26,570,871

11. Related Party Disclosures - continued

Management fees paid to ManJer during the year ended 31 December 2011:

	As at 31 December	
	2011	**2010**
	USD	**USD**
Management Fees	38,453,184	-

The following balances were due to ETFSL at the year end:

	As at 31 December	
	2011	**2010**
	USD	**USD**
Management Fees	-	2,975,935

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

	As at 31 December	
	2011	**2010**
	USD	**USD**
Management Fees	3,273,383	-

As disclosed in note 3 above, ManJer paid directors' fees in respect of the Company of GBP 15,000. In the previous year the fees of GBP 10,000 were paid by ETFSL.

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the year, R&H charged ManJer (ETFSL in respect of 2010) secretarial and administration fees in respect of the Company of GBP 92,500 (2010: GBP 81,400), of which GBP 23,125 (2010: GBP 18,750) was outstanding at the year end.

Graham J Tuckwell is also a director of ETFSL, ManJer and HoldCo.

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 the 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.

12. Financial Risk Management - Continued

(b) *Market 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. 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.

(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 inter company loan have been offset in the financial statements.

Credit risk is the risk of loss due to the failure of counterparty to satisfy its obligations. 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 securities will be created therefore the Company does not have the risk of loss of the amount expected to be received.

There is also a credit risk arising from the Company's Metal Agent to repay the redemption price. To cover the credit risk under the Metal Bullion, the Company holds a corresponding amount of the Metal Bullion stored with the custodian.

Credit risk also includes custodial risk, the custodian is not required to take out insurance and neither is the Trustee. Accordingly, there is a risk that the secured Metals could be lost stolen or damaged and the Company would not be able to satisfy its obligations in respect of the Metal Securities.

The Company holds a current account at a large international bank. 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.

(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. ManJer supplied and arranged the supply of all administrative services to the Company and paid all management and administration costs of the Company, including Trustee and Custodian fees, in return for which the Company paid ManJer the Management Fee in line with the Service Level Agreement and Creation and Redemption Fees. 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.

12. Financial Risk Management - continued

(e) Capital Management - continued

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 were paid by ManJer, the directors of this Company consider the capital management and its current capital resources 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

The directors believe that settlement risk would only be caused by the risk of the Company's trading counterparty not delivering cash or securities on the settlement date. The directors feel that this risk is mitigated as a result of the cash or securities settling through the registrar's CREST system. The system ensures that the transaction does not settle until both parties have fulfilled their sides of the bargain.

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

(h) Fair Value Hierarchy

The levels in the hierarchy are defined as follows:

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

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

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	
	2011	**2010**
	USD	**USD**
Level 2	9,034,464,204	8,506,963,977

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

13. Ultimate Controlling Party

The ultimate controlling party is Graham J Tuckwell, through his majority shareholding in ETFSL.

14. 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 in 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 inter company 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 in 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 inter company 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 inter company loan and loan notes, along with any related interest amounts, reflects the substance of the transaction.