GOLD BULLION SECURITIES LIMITED

Registered No: 87322

Report and Financial Statements for the Year ended 31 December 2010

CONTENTS

MANAGEMENT AND ADMINISTRATION

Directors

Mr Graham J Tuckwell – Chairman
Mr Graeme D Ross
Mr Craig A Stewart
Mr Thomas K Quigley

Administrator and Company Secretary

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

Registered Office

Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey
JE4 8PW

English Legal Advisers

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Jersey Legal Advisers

Mourant Ozannes
22 Grenville Street
St Helier
Jersey
JE4 8PX

Registrar

Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES

Managers

ETF Securities Limited
(up to 31 December 2010)
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey
JE4 8PW

ETFS Management Company (Jersey) Limited
(effective from 1 January 2011)
Ordnance House
PO Box 83
31 Pier Road
St Helier
Jersey
JE4 8PW

Custodian

HSBC Bank USA, NA, London Branch
8 Canada Square
London
E14 5HQ

Trustee

The Law Debenture Trust Corporation plc
Fifth Floor
100 Wood Street
London
EC2V 7EX

Auditor

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

The directors of Gold Bullion Securities Limited ("GBS" or "the Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2010.

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	(resigned 3 September 2010)
Mr Graeme D Ross	
Mr Craig A Stewart	
Mr Thomas K Quigley	(appointed 5 October 2010)

Principal Activities

The Company's principal activity is the listing and issue of gold bullion securities ("Gold Securities"). These securities allow investors to gain exposure to gold without needing to take physical delivery of 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 Gold Security is a secured, undated zero coupon note of the Company, constituted by a trust instrument, with a face value of USD 0.00001. Under the terms of this instrument the Trustee ensures that the Gold Security is secured on an amount of bullion equivalent to the Gold Entitlement of each Gold Security, on any given date. 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 Gold Security is entitled, through an appropriate counterparty, to require the redemption of that Gold Security and receive an amount of gold bullion equal to the Gold Entitlement on the date of redemption.

The Company earns a management fee by reducing the Gold Entitlement on a daily basis by an agreed amount (the "Gold Sales Charge" or "Management Fee"). The Gold Sales Charge 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 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 a Management Fee to ETFSL. The Management Fee transferred is the Management Fee which is received by the Company less any fees and expenses which are incurred directly by the Company. As a result, 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. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

Review of Operations

The Gold Securities are listed on the London Stock Exchange, the Deutsche Börse, the Borsa Italia and the NYSE Euronext Paris. The most recent rollover prospectus was issued on 8 October 2010.

As at 31 December 2010, the Company had 40,705,203 (2009: 40,826,573) Gold Securities in issue, with assets under management of USD 3,601 million (2009: USD 2,730 million). The Company recognises its assets (Gold Bullion) and liabilities (Gold Securities) at fair value in the statement of financial position.

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

	2010 GBP	2009 GBP
Management Fee	12,767,419	10,721,534
Creation and Redemption Fees	69,967	67,658
Total Fee income	12,837,386	10,789,192

Under the terms of the service agreement with ETFSL, the Company accrued expenses equal to its income less its own administrative expenses, resulting in an operating profit of nil (2009: nil).

The gain or loss on Gold Securities and Gold 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 13 to the financial statements.

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 directors do not recommend the provision or payment of a dividend to holders of ordinary shares for the year ended 31 December 2010 (2009: £103,336).

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)	100

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. The Directors are either members of Board of the Parent Company or members of the Board of the Company's administrator, R&H Fund Services Limited, and the Board will continue to have such a composition of Directors beyond the forthcoming Annual General Meeting.

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 ETFSL on behalf of the Company is disclosed below.

	2010 Fees GBP	2009 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (resigned 3 September 2010)	Nil	Nil
Mr Graeme D Ross	5,000	5,000
Mr Craig A Stewart	5,000	5,000
Mr Thomas K Quigley (appointed 5 October 2010)	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 Gold Bullion Securities, has not undertaken any business, save for issuing and redeeming Gold Bullion 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 Gold Bullion Securities and performing the obligations and exercising its rights in relation thereto.

The Company was dependent upon ETFSL to provide management and administration services to it. ETFSL has outsourced the administration services to a regulated service provider in Jersey, R&H Fund Services (Jersey) Limited. Documented contractual arrangements are in place with the Manager and the Administrator which define the areas where the authority is delegated to them.

ETFSL promotes and provides management and other services to both the Company and other companies issuing commodity based securities. As noted above the existing service agreement was novated from ETFSL to a subsidiary of ETFSL, ManJer on 1 January 2011. This change will not impact the nature of the operations of the Company, and the Directors do not consider that the change will impact the governance or internal control environment of the Company.

The Board having reviewed the effectiveness of the internal control systems of the manager, 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
26 April 2011

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

26 April 2011

We have audited the financial statements of Gold Bullion Securities Limited for the year ended 31 December 2010 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 15. 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.

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 2010 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 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 accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

A Isham

Andrew Isham
For and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditors
St. Helier, Jersey

26 April 2011

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2010 GBP	2009 GBP
Revenue	2	12,837,386	10,789,192
Expenses			
Service Fees	2	(12,840,720)	(10,785,419)
Other Operating Income / (Expense)		3,334	(3,773)
Operating Profit	2	-	-
Net Gain Arising on Fair Value of Gold Bullion	8	851,538,599	334,727,800
Net Loss Arising on Fair Value of Gold Securities	9	(851,538,599)	(334,727,800)
Result and Total Comprehensive Income for the Year		-	-

The directors consider the Company's activities are continuing.

The notes on pages 11 to 17 form part of these financial statements

GOLD BULLION SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 GBP	2009 GBP
Current Assets			
Cash and Cash Equivalents		238,507	164,845
Gold Swing Bar	6	390,752	294,199
Trade and Other Receivables	7	1,269,794	987,493
Gold Bullion	8	3,600,935,164	2,730,420,672
Total Assets		3,602,834,217	2,731,867,209
Current Liabilities			
Gold Securities	9	3,600,935,429	2,730,420,927
Trade and Other Payables	10	1,798,788	1,346,282
Total Liabilities		3,602,734,217	2,731,767,209
Equity			
Share Capital	11	100	100
Share Premium	11	99,900	99,900
Retained Profits		-	-
Total Equity		100,000	100,000
Total Equity and Liabilities		3,602,834,217	2,731,867,209

The financial statements on pages 7 to 17 were approved by the board of directors and signed on its behalf on 26 April 2011.

Graeme D Ross
Director

The notes on pages 11 to 17 form part of these financial statements

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2010	2009
	GBP	GBP
Cash Flows from Operating Activities		
Cash Receipts from Operations	70,224	63,829
Payments of Expenses	-	(25)
Cash Generated from Operations	70,224	63,804
Bank Interest Received	-	838
Finance charges	(10)	-
Net Cash (Used in) / Generated from Operating Activities	70,214	64,642
Cash Flows from Financing Activities		
Outstanding Loan Repayment	-	192,392
Dividends Paid	-	(103,336)
Net Cash Generated from Financing Activities	-	89,056
Net Increase in Cash and Cash Equivalents	70,214	153,698
Cash and Cash Equivalents at the Beginning of the Year	164,845	15,433
Net Increase in Cash and Cash Equivalents	70,214	153,698
Exchange Adjustment	3,448	(4,286)
Cash and Cash Equivalents at the End of the Year	238,507	164,845

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

The notes on pages 11 to 17 form part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Retained Earnings GBP	Total Equity GBP
Opening Balance at 1 January 2009	100	99,900	103,336	203,336
Total comprehensive income for the year	-	-	-	-
Distributions	-	-	(103,336)	(103,336)
Balance at 31 December 2009	100	99,900	-	100,000
Opening Balance at 1 January 2010	100	99,900	-	100,000
Total comprehensive income for the year	-	-	-	-
Balance at 31 December 2010	100	99,900	-	100,000

The notes on pages 11 to 17 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 Gold 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 Gold Securities held at fair value through profit or loss as disclosed in note 9.

Adoption of New and Revised Standards

(a) *Standards, amendments and interpretations effective on 1 January 2010:*

- Various improvements to IFRSs (effective 1 July 2009 or 1 January 2010)
- IFRIC 17 'Distributions of non-cash assets to owners (effective 1 July 2009)

The adoption of the improvements and interpretation resulted to 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 2010 but not relevant to the Company:*

- IFRS 1 'Revisions to IFRS on first-time adoption of IFRS' (effective 1 July 2009) and 'Additional exemptions for first-time adopters'
- IFRS 2 'Group cash-settled share based payments'
- IFRS 3 (2008) and IAS 27 (2008) 'Business combinations: consolidated and separate financial statements' (effective 1 July 2009)
- IAS 39 'Eligible Hedged Items' (effective 1 July 2009)
- IFRIC 18 'Transfers of assets from customers' (transfers received on or after 1 July 2009)

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

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' (effective 1 July 2011)
- IFRS 9 (as amended in 2010) 'Financial Instruments' (effective 1 January 2013)
- IAS 24 (revised in 2009) 'Related Party Disclosures' (effective 1 January 2013)
- Amendments to IAS 32 'Classification of Rights Issues' (effective 1 February 2010)
- Improvements to IFRSs issued in 2010 (Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011)

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.

Going Concern

The nature of the Company's business dictates that the outstanding Gold Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Gold Securities would coincide with the payment of an equal amount (in value) of Gold Bullion, no liquidity risk is considered to arise. All other liabilities were met by ETFSL 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.

Gold 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 Gold Securities. The conditions of issue are set out in the Trust Instrument. Each time a Gold Security is issued or redeemed by the Company a matching amount of Gold 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

Gold Securities are priced on a daily basis based on the Gold Entitlement of each class of security and the value of the bullion using the appropriate fixing price from the London Bullion Market Association (LBMA).

iii) Designation at fair value through Profit or Loss

The Gold 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 Gold Bullion enabling gains or losses on both the Gold Security and Gold Bullion to be recorded in the statement of comprehensive income.

Gold Bullion

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

Gold Bullion and Gold Securities Awaiting Settlement

The issue and redemption of Gold Securities, and the transfer in and out of Gold 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 expenses are recognised on an accruals basis.

Foreign Currency Translation

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

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, Gold Securities, 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	
	2010	**2009**
	GBP	**GBP**
Creation and Redemption Fees	69,967	67,658
Management Fees	12,767,419	10,721,534
Total Revenue	12,837,386	10,789,192
Service Fees	(12,840,720)	(10,785,419)
Finance Charges	(10)	513
Net Foreign Exchange Gain / (Loss)	3,344	(4,286)
Total Operating Expenses	(12,837,386)	(10,789,192)
Operating Profit	-	-

Audit fees for the year of GBP 12,000 (2009: GBP 11,750) will be 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	
	2010	**2009**
	GBP	**GBP**
Mr Graham J Tuckwell	Nil	Nil
Mr Greg J Burgess (resigned 3 September 2010)	Nil	Nil
Mr Graeme D Ross	5,000	5,000
Mr Craig A Stewart	5,000	5,000
Mr Thomas K Quigley (appointed 5 October 2010)	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. Gold Swing Bar

The Company has an overdraft facility with HSBC Bank USA, N.A. giving the Company the rights, interest and title to a gold bar. The 430 ounce gold bar held by the Company at the period end was held for the purpose of facilitating the allocation of gold to holders of Gold Bullion Securities. The gold is recorded at market value using the last quote provided by the LBMA being the AM fix rate on 31 December 2010 of GBP 908.725 per oz. (2009: GBP 684.184 per oz.). The loan is denominated in gold ounces and marked to fair value at the period end with movements recognised in the statement of comprehensive income. The overdraft is repayable on demand. The Company intends to maintain the overdraft as long as the Company continues to operate.

7. Trade and Other Receivables

	Year Ended 31 December	
	2010	2009
	GBP	GBP
Gold Sales Charges	1,247,171	964,613
Creation and Redemption Fees	22,623	22,880
	1,269,794	987,493

8. Gold Bullion

	Year Ended 31 December	
	2010	2009
	GBP	GBP
Change in Fair Value for the Year	851,538,599	334,727,800
Balance at 31 December	3,600,935,164	2,730,420,672

All Gold Bullion assets have been valued using the AM fix on 31 December 2010 as quoted by the LBMA being the last fix price available for the year.

9. Gold Securities in Issue

	Year Ended 31 December	
	2010	2009
	GBP	GBP
Change in Fair Value for the Year	851,538,599	334,727,800
Gold Securities	3,600,935,429	2,730,420,927

Gold Securities are secured, undated zero coupon notes with a face value of USD 0.00001. As at 31 December 2010, there were 40,705,203 (2009: 40,826,573) Gold Securities outstanding, with a face value, in aggregate, of GBP 265 (2009: GBP 255).

10. Trade and Other Payables

	2010 GBP	2009 GBP
Fees Payable to ETFSL	1,405,451	1,049,592
Trade and Other Payables	2,585	2,491
Gold Loan	390,752	294,199
	1,798,788	1,346,282

11. Share Capital

	2010 GBP	2009 GBP
Share Capital (100 fully paid ordinary shares)	100	100
Share Premium	99,900	99,900
	100,000	100,000

The Company has an Authorised capital of 10,000 Ordinary shares of £1 each.

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

On 22 December 2010 the entire share capital of the Company was transferred from ETFSL to ETFS Holdings (Jersey) Limited ("HoldCo").

12. Related Party Disclosures

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

Entities 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 of the Company.

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

	2010 GBP	2009 GBP
Fees Payable	(1,405,451)	(1,049,592)

As disclosed in note 3 above, ETFSL paid Directors' fees in respect of the Company of GBP 10,000 (2009: GBP 10,000).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. Graeme D Ross is also a director of Computershare Investor Services (Jersey) Limited, the registrar. During the period, R&H charged ETFSL secretarial and administration fees in respect of the Company of GBP 37,820 (2009: GBP 33,750), of which GBP 9,375 (2009: GBP 6,875) was outstanding at the year end. Computershare charged ETFSL fees in respect of the Company of GBP 8,344 (2009: GBP 10,000), of which GBP 2,038 (2009: GBP 3,000) was outstanding at the year end.

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. The existing service agreement was therefore novated from ETFSL to ManJer on 1 January 2011.

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

13. 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 does not have significant exposure to interest rate risk since none of its assets or liabilities bear any interest.

The Company holds a current account at a large international bank and this is where the 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 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.

(b) *Credit Risk*

With regard to the insurance of the bullion, the Custodian may make such insurance arrangements in connection with its custodial obligations with respect to bullion in allocated form as it considers fit. The Custodian has no obligation to insure such 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 bullion held in the Secured Gold Accounts, and shall not be required to make any enquiry regarding such matters.

The Directors mitigate the risk by ensuring that the Bullion is subject to a timely inspection. There is also a limit of entry to the vaults where the Bullion is held.

There is still however, a risk that the bullion could be lost, stolen or damaged and the Company would not be able to satisfy its obligations in respect of the Gold Securities.

(c) *Liquidity Risk*

When the Gold Securities are redeemed, the Company returns the corresponding amount of Gold Bullion determined by the Gold Entitlement. The market value of the Gold 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.

(d) *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 Gold Securities is matched by movements in the corresponding Gold Bullion. Consequently, the Company is not exposed to market price risk. Therefore, in the directors' opinion, no sensitivity analysis is required to be disclosed.

(e) *Capital Management*

The capital of the Company comprises issued share capital. The Company's policy is to maintain a capital base sufficient to sustain its future activities. As all Gold Securities issued are supported by an equivalent amount of Gold Bullion held by the custodian and the running costs of the Company were paid by ETFSL and will continued to be paid by ManJer as disclosed in Note 12, 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 Gold Securities.

The Company is not subject to externally imposed capital requirements.

(f) *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 Note 9.

(g) *Market Price Risk*

Whilst the Gold 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 Gold Security. Therefore Gold Securities are classified as level 2 financial liabilities as they are calculated using third party pricing sources supported by observable, verifiable inputs.

	Fair value 2010 USD	Fair value 2009 USD
Level 2	3,600,935,429	2,730,420,927

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

14. Ultimate Controlling Party

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

15. Events after the Reporting Period

On 22 December 2010 the directors agreed that all manager responsibilities of the Company would be transferred from ETFSL to ManJer as part of the Group restructuring exercise. It was agreed that this change would take effect from 1 January 2011.

The directors believe that the restructuring exercise will have no material impact on the operation of the Company.