

**GOLD BULLION SECURITIES LIMITED**

**Registered No: 87322**

**Report and Financial Statements for the  
Year ended 31 December 2012**

**GOLD BULLION SECURITIES LIMITED**  
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**GOLD BULLION SECURITIES LIMITED**  
**MANAGEMENT AND ADMINISTRATION**

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**Directors**

Mr Graham J Tuckwell – Chairman  
Mr Graeme D Ross  
Mr Craig A Stewart  
Mr Joseph L Roxburgh

**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  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**English Legal Advisers**

Dechert LLP  
160 Queen Victoria Street  
London, EC4V 4QQ  
United Kingdom

**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

**Manager**

ETF Management Company (Jersey) Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Custodian**

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

**Auditor**

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

**Trustee**

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

# GOLD BULLION SECURITIES LIMITED

## DIRECTORS' REPORT

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 2012.

### Directors

The names and particulars of the directors of the Company during and 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

Mr Joseph L Roxburgh

(resigned 20 December 2012)

(appointed 20 December 2012)

### 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 has entered into a service agreement with ETFs Management Company (Jersey) Limited ("ManJer"), whereby ManJer is 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 pays ManJer an amount equal to the Management Fee (as described above) which is received by the Company less any fees and expenses which are incurred directly by the Company and the creation and redemption fees. As a result, bullion in respect of the Management Fee and creation and redemption fees are transferred directly to ManJer and there are no cash or bullion flows through the Company in relation to the Management Fee and creation and redemption fees.

### 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 28 August 2012.

As at 31 December 2012, the Company had 46,337,059 (2011: 40,046,346) Gold Securities in issue, with assets under management of GBP 4,605.0 million (2011: GBP 3,961.5 million). The Company recognises its assets (Gold Bullion) and liabilities (Gold Securities) at fair value in the Statement of Financial Position.

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

	<b>2012</b>	<b>2011</b>
	<b>GBP</b>	<b>GBP</b>
Creation and Redemption Fees	73,776	56,865
Management Fee	17,695,197	14,983,798
Total Fee income	<u>17,768,973</u>	<u>15,040,663</u>

# GOLD BULLION SECURITIES LIMITED

## DIRECTORS' REPORT - CONTINUED

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### Review of Operations - continued

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to its income less its own administrative expenses, resulting in an operating result for the year of GBP Nil (2011: GBP 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 11 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 Gold Security comprises a debt instrument whose redemption price is linked directly to the price of the relevant underlying bullion. The Gold Securities are issued under limited recourse arrangements whereby the holders have recourse only to the value of the bullion and not to the Company. In addition, since any such price movements are wholly attributable to the Gold Security holders, the Company has no residual exposure to price movements of the bullion. From a commercial perspective it is clear that gains or losses on the liability represented by the Gold Securities are matched economically by losses or gains attributable to the Gold Bullion. The Company has no net exposure.

Movements in the price of the underlying bullion, and thus the value of the Gold Securities, may vary widely which could have an impact on the demand for the Gold Securities issued by the Company. These movements are shown in notes 6 and 7.

### 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

There were no dividends declared or paid in the current or previous year. 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:

<b>Director</b>	<b>Ordinary Shares of Nil Par Value</b>
Graham J Tuckwell (as controlling party of ETF Securities Limited ("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.

# GOLD BULLION SECURITIES LIMITED

## DIRECTORS' REPORT - CONTINUED

### 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 and Mr Roxburgh, 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. Mr Quigley resigned as director of the Company on 20 December 2012.

The board of directors meets regularly to consider matters specifically reserved for its review. Further meetings will be held as required by the operations of the Company.

### 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 year is disclosed below.

	2012 Fees GBP	2011 Fees GBP
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	7,500	7,500
Mr Craig A Stewart	7,500	7,500
Mr Thomas K Quigley	Nil	Nil
Mr Joseph L Roxburgh	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 Securities, has not undertaken any business, save for issuing and redeeming Gold 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 Securities and performing the obligations and exercising its rights in relation thereto.

The Company was dependent upon ManJer to provide management and administration services to it. During the year ended 31 December 2012, ManJer was classified as a Managed Entity under Jersey regulation and was reliant upon R&H Fund Services (Jersey) Limited ("R&H"), a regulated service provider in Jersey, for the provision of additional management services under the Manager of a Managed Entity ("MoME") regime. ManJer is licensed under the Financial Services (Jersey) Law 1998 to conduct classes U, V and Z of Fund Services Business. Whilst ManJer is no longer reliant upon R&H for the provision of additional management services, ManJer has outsourced the administration services to R&H. 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 ongoing 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.

**GOLD BULLION SECURITIES LIMITED**  
**DIRECTORS' REPORT - CONTINUED**

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**Audit Committee**

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



**Graeme D Ross**

Director

Jersey

25 March 2013

# GOLD BULLION SECURITIES LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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 D Ross**  
Director

25 March 2013



**GOLD BULLION SECURITIES LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**

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We have audited the financial statements of Gold Bullion Securities Limited for the year ended 31 December 2012 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 12. 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 2012 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; or
- we have not received all the information and explanations we require for our audit.



**Andrew Isham, BA, FCA**

For and on behalf of Deloitte LLP

Chartered Accountants and Recognized Auditor

St. Helier, Jersey

25 March 2013

**GOLD BULLION SECURITIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended 31 December	
		2012 GBP	2011 GBP
<b>Revenue</b>	2	17,768,973	15,040,663
<b>Expenses</b>	2	(17,768,973)	(15,040,663)
<b>Operating Result</b>	2	-	-
Net Gain Arising on Fair Value of Gold Bullion	6	103,493	373,386,222
Net Loss Arising on Fair Value of Gold Securities	7	(103,493)	(373,386,222)
<b>Result and Total Comprehensive Income for the Year</b>		-	-


The directors consider the Company's activities as continuing.

The notes on pages 12 to 19 form part of these financial statements

**GOLD BULLION SECURITIES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 December	
		2012 GBP	2011 GBP
<b>Current Assets</b>			
Cash and Cash Equivalents		102,836	101,646
Gold Swing Bar	4	442,608	438,750
Trade and Other Receivables	5	1,649,472	1,405,979
Gold Bullion	6	4,604,988,100	3,961,470,417
<b>Total Assets</b>		<u>4,607,183,016</u>	<u>3,963,416,792</u>
<b>Current Liabilities</b>			
Gold Securities	7	4,604,988,387	3,961,470,676
Trade and Other Payables	8	2,094,629	1,846,116
<b>Total Liabilities</b>		<u>4,607,083,016</u>	<u>3,963,316,792</u>
<b>Equity</b>			
Share Capital	9	100,000	100,000
<b>Total Equity</b>		<u>100,000</u>	<u>100,000</u>
<b>Total Equity and Liabilities</b>		<u>4,607,183,016</u>	<u>3,963,416,792</u>

The financial statements on pages 8 to 19 were approved by the board of directors and signed on its behalf on March 2013.

  
 Graeme D Ross  
 Director

The notes on pages 12 to 19 form part of these financial statements

**GOLD BULLION SECURITIES LIMITED**  
**STATEMENT OF CASH FLOWS**

	Year ended 31 December	
	2012 GBP	2011 GBP
<b>Operating Result for the Year</b>	-	-
Non Cash Movement Due to Revaluation of Bullion	(3,858)	(47,998)
	<u>(3,858)</u>	<u>(47,998)</u>
<i>Changes in Operating Assets and Liabilities</i>		
Increase in Receivables	(243,493)	(136,185)
Increase in Payables	248,513	47,328
Cash Generated From/(Used in) Operations	<u>1,162</u>	<u>(136,855)</u>
<i>Cash Flows from Financing Activities</i>		
Increase/(Decrease) in Undated Zero Coupon Notes	28	(6)
Net Cash Generated From/(Used in) Financing Activities	<u>28</u>	<u>(6)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<u>1,190</u>	<u>(136,861)</u>
Cash and Cash Equivalents at the Beginning of the Year	101,646	238,507
Net Increase/(Decrease) in Cash and Cash Equivalents	1,190	(136,861)
Cash and Cash Equivalents at the End of the Year	<u>102,836</u>	<u>101,646</u>

Gold Securities issued or redeemed by receipt/transfer of bullion have been netted off in the Statement of Cash Flows.

The notes on pages 12 to 19 form part of these financial statements

**GOLD BULLION SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

	Share Capital GBP	Share Premium GBP	Retained Earnings GBP	Total Equity GBP
Opening Balance at 1 January 2011	100	99,900	-	100,000
Total Comprehensive Income for the Year	-	-	-	-
Balance at 31 December 2011	100	99,900	-	100,000
Opening Balance at 1 January 2012	100	99,900	-	100,000
Total Comprehensive Income for the Year	-	-	-	-
Balance at 31 December 2012	100	99,900	-	100,000

The notes on pages 12 to 19 form part of these financial statements

# GOLD BULLION SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 Gold Bullion, Gold Swing Bar 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 Bullion and Gold Securities held at fair value through profit or loss as disclosed in notes 6 and 7. Actual results could vary from these estimates.

#### Accounting Standards

(a) *Standards, amendments and interpretations effective on 1 January 2012:*

No new and revised standards and interpretations have been adopted in the current year which may have affected these financial statements. Details of other standards and interpretations adopted that have had no effect on these financial statements are set out in section (b).

(b) *Standards, amendments and interpretations effective on 1 January 2012 but not relevant to the Company:*

- Amendments to IFRS 7 "Disclosures – Transfers of Financial Assets"
- Amendments to IAS 12 "Income Taxes"

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

- IFRS 9 "Financial Instruments" (effective 1 January 2015)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2013)
- Amendments to IAS 1 "Presentation of Financial Statements" (effective 1 July 2012)
- Amendments to IAS 32 "Financial Instruments: Presentation" (effective 1 January 2014)
- 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; however the amendments may change the presentation of the financial statements. The directors have considered other new and revised standards and they believe that they are not relevant to the Company's activities.

**GOLD BULLION SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

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**1. Accounting Policies - continued**

**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 are 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 Swing Bar**

The Gold Swing Bar is denominated in gold ounces and marked to fair value at the year end with movements recognised 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.

**1. Accounting Policies - continued**

**Loans and Receivables**

The loans and receivables are non-derivative financial assets with a fixed payment amount and are not quoted in an active market. After initial measurement the loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Gains and losses on loans and receivables which are impaired are recognised immediately in the Statement of Comprehensive Income.

**Gold Bullion Receivable and Payable**

Management fees receivable are accrued by applying a fixed percentage to the market value of debt securities in issue on a daily basis. These fees are receivable in Gold Bullion, recorded at fair value at the Statement of Financial Position date using the latest quote provided by the LBMA. Movements in fair value are recorded in the Statement of Comprehensive Income.

Management fees payable are also accrued based on the income accrued in accordance with the agreement with ManJer. These fees (relating to management fees received) are payable in Gold Bullion, and recorded at fair value at the Statement of Financial Position date using the latest quote provided by the LBMA. Movements in fair value are recorded in the Statement of Comprehensive Income.

**Interest Income**

Interest income is recognised on an accruals basis.

**Cash and Cash Equivalents**

Cash and cash equivalents include deposits held on call with banks.

**Foreign Currency Translation**

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in British Pounds, which is the functional currency of the Company, and the presentational currency of the financial statements.

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, issuing Gold Securities, 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.



**GOLD BULLION SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**2. Operating Result**

Operating result for the year comprised:

	Year ended 31 December	
	2012	2011
	GBP	GBP
Creation and Redemption Fees	73,776	56,865
Management Fees	17,695,197	14,983,798
<b>Total Revenue</b>	<b>17,768,973</b>	<b>15,040,663</b>
Management Fees	(17,767,443)	(15,040,572)
Net Finance Charges	(135)	(95)
Net Foreign Exchange (Loss)/Gain	(1,395)	4
<b>Total Operating Expenses</b>	<b>(17,768,973)</b>	<b>(15,040,663)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

Audit fees for the year of GBP 12,775 will be met by ManJer (2011: GBP 12,400).

**3. Taxation**

The Company is subject to Jersey Income Tax at the rate of 0%.

**4. Gold Swing Bar**

The Company has a loan facility with HSBC Bank USA, N.A. giving the Company the rights, interest and title to a gold bar. The 430 (2011: 430) ounce gold bar held by the Company was held for the purpose of facilitating the allocation of gold to holders of Gold Securities. The gold is recorded at market value using the last quote provided by the LBMA being the AM fix rate on 31 December 2012 of GBP 1,029.32 per oz. (2011: GBP 1,020.35 per oz.). The loan is denominated in gold ounces and marked to fair value at the year end with movements recognised in the Statement of Comprehensive Income. The loan is repayable on demand. The Company intends to maintain the loan as long as the Company continues to operate.

**5. Trade and Other Receivables**

	As at 31 December	
	2012	2011
	GBP	GBP
Management Fee	1,624,732	1,375,247
Creation and Redemption Fees	24,740	30,732
	<b>1,649,472</b>	<b>1,405,979</b>

**6. Gold Bullion**

	As at 31 December	
	2012	2011
	GBP	GBP
Change in Fair Value for the Year	103,493	373,386,222
Gold Bullion	4,604,988,100	3,961,470,417

**GOLD BULLION SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**6. Gold Bullion - continued**

As at 31 December 2012, there was no 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 GBP Nil (2011: GBP Nil).

All Gold Bullion assets have been valued using the AM fix on 31 December 2012 as quoted by the LBMA being the last fix price available for the year.

**7. Gold Securities in Issue**

	As at 31 December	
	2012 GBP	2011 GBP
Change in Fair Value for the Year	(103,493)	(373,386,222)
Gold Securities	4,604,988,387	3,961,470,676

As at 31 December 2012, there were no securities awaiting the (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 GBP Nil (2011: GBP Nil).

Gold Securities are secured, undated zero coupon notes with a face value of USD 0.00001. As at 31 December 2012, there were 46,337,059 (2011: 40,046,346) Gold Securities outstanding, with a face value, in aggregate, of GBP 287 (2011: GBP 259).

**8. Trade and Other Payables**

	As at 31 December	
	2012 GBP	2011 GBP
Management Fees Payable to ManJer	1,650,629	1,404,778
Trade and Other Payables	1,392	2,588
Gold Loan	442,608	438,750
	2,094,629	1,846,116

**9. Share Capital**

	As at 31 December	
	2012 GBP	2011 GBP
100 Shares of GBP 1 Each, Issued at GBP 1,000 Each	100,000	100,000

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

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").

**GOLD BULLION SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**10. Related Party Disclosures**

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 ManJer during the year:*

	Year ended 31 December	
	2012	2011
	GBP	GBP
Management Fees	17,767,443	15,040,572

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

	As at 31 December	
	2012	2011
	GBP	GBP
Management Fees Payable	1,650,629	1,404,778

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 15,000 (2011: GBP 15,000).

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 secretarial and administration fees in respect of the Company of GBP 37,500 (2011: GBP 37,500), of which GBP 9,375 (2011: GBP 9,375) was outstanding at the year end.

Graeme D Ross is also a director of ManJer. Craig A Stewart was a director of ManJer until 14 June 2012.

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

**11. 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) *Market Risk*

i) *Price Risk*

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

However, there is an inherent risk from the point of view of investors as the price of Gold Bullion and the value of the Gold Securities may vary widely. The market price of Gold Securities is a function of supply and demand amongst investors wishing to buy and sell Gold Securities and the bid or offer spread that the market makers are willing to quote.

ii) *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. 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 the Company will be affected by any move in interest rates.

**11. Financial Risk Management - continued**

*(b) Credit Risk*

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.

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 Gold could be lost stolen or damaged and the Company would not be able to satisfy its obligations in respect of the Gold Bullion 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 profit and loss and 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 Company's principal activity is the listing and issue of Gold Securities. These securities are issued as demand requires. The Company holds a corresponding amount of Gold 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 a fee equal to the Management Fee and creation and redemption fees charged to the Gold Securities. 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.

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 ManJer, the directors of the Company consider the capital management and its current capital resources are adequate to maintain the ongoing listing and issue of Gold Securities.

*(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 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 6 and 7.

**GOLD BULLION SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**11. Financial Risk Management - continued**

*(g) Fair Value Hierarchy*

The levels in the hierarchy are defined as follows:

- Level 1 – fair value based on quoted prices in active markets for identical assets.
- Level 2 – fair values based on valuation techniques using observable inputs other than quoted prices 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 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 NAVs of each class of Gold Security. Therefore Gold Securities and Gold Bullion are classified as level 2 financial liabilities and financial assets respectively, as the Company's asset and liability is calculated using third party pricing sources supported by observable, verifiable inputs.

	<b>Fair Value</b>	
	<b>2012</b>	<b>2011</b>
<b>Level 2</b>	<b>GBP</b>	<b>GBP</b>
Gold Bullion	4,604,988,100	3,961,470,417
Gold Securities	4,604,988,387	3,961,470,676

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

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

**12. Ultimate Controlling Party**

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.