

GOLD BULLION SECURITIES LIMITED

Registered No: 87322

**Report and Financial Statements for the Financial Year
Ended 31 December 2008**

Contents	Page
Directors' Report	3
Statement of Directors' Responsibilities	7
Independent Auditors' Report	8
Income Statement	10
Balance Sheet	11
Cash Flow Statement	12
Statement of Changes in Equity	12
Notes to the Financial Statements	13

DIRECTORS' REPORT

The directors of Gold Bullion Securities Limited submit herewith the annual report and financial statements of the company for the financial year ended 31 December 2008.

Directors

The names and particulars of the directors of the company who held office during or since the end of the financial year are:

Mr Graham John Tuckwell

Chairman of ETFS Securities Group which specialises in listing commodities on the world's stock exchanges. Appointed on 17 March 2004 as non-executive Chairman.

Mr James Elvis Burton

Mr Burton is the Chief Executive Officer of the World Gold Council. Appointed on 17 November 2006 as a non-executive director. Mr Burton resigned as a director of the company on 27 August 2008.

Dr Vincent William John FitzGerald

Chairman of The Allen Consulting Group Pty Ltd. Appointed on 17 March 2004 as a non-executive director.

Mr Graeme David Ross

Partner of the Jersey practice of Rawlinson & Hunter, Chartered Accountants and a Director of Computershare Investor Services (Channel Islands) Limited. Appointed on 17 March 2004 as a non-executive director.

Mr Craig Andrew Stewart

Partner of the Jersey practice of Rawlinson & Hunter, Chartered Accountants and a Director of Computershare Investor Services (Channel Islands) Limited. Appointed on 17 March 2004 as a non-executive director.

The above named directors held office during and since the end of the year unless otherwise stated.

DIRECTORS' REPORT - CONTINUED

Principal Activities

A Gold Bullion Security is a secured, undated zero coupon note with a face value of US\$0.00001 issued by the company, which on redemption entitles the Security Holder to payment in gold or cash equal to the Per Security Entitlement to Gold. The underlying gold is held by the company and is subject to a fixed charge in favour of the Trustee (The Law Debenture Trust Corporation p.l.c.) under the Security Deed to secure the obligations owed by the company to the Trustee and the Security Holders in respect of the gold. The gold, to which the holder is entitled, is held by the Custodian Bank (HSBC Bank USA, a National Association).

During the financial year there were no significant changes in the nature of the company's activities.

Review of Operations

The company was incorporated on 17 March 2004 and the Gold Bullion Securities (GBS) issued by the company were admitted to the official list of the UK Listing Authority on 28 March 2004. Trading of GBS commenced on the London Stock Exchange on 31 March 2004. On 7 November 2005, GBS listed on Euronext in Paris, and through a marketing agreement with Société Générale was renamed Lyxor Gold Bullion Securities (Lyxor GBS). On 20 April 2007, Lyxor GBS listed on the Borsa Italiana and on 25 April 2007 listed on the Frankfurt Stock Exchange. On 12 November 2007, Lyxor GBS was listed in Sterling on the London Stock Exchange, in addition to the existing US\$ listing. The Lyxor GBS trade on these exchanges and are marketed throughout Europe.

A rollover prospectus was issued on 20 October 2008.

A total of 38,107,225 (2007 - 31,803,611) Gold Bullion Securities were in issue at 31 December 2008.

During the year, the company generated Creation and Redemption fees connected with the issue of and redemption of Gold Bullion Securities. Income from these sources amounted to £21,039 (2007 - £2,370). In addition, the company applied a Gold Sales Charge ('GSC') to holders of outstanding Gold Bullion Securities calculated at 0.40% per annum of the total ounces of gold held on behalf of the Holders. Income from this source amounted to £7,173,568 (2007 - £4,240,108) with trading income totalling £7,194,607 (2007 - £4,242,478) for the financial year to 31 December 2008. Bank interest of £2,643 (2007 - £4,883) was also received in the year and exchange gains amounted to £6,128 (2007 - £2,169).

The operating costs of the company over the same year amounted to £7,203,378 (2007 - £4,249,530).

As a result, the company realised a trading result from operations of £nil (2007 - £nil).

The company's liability in connection with the issue of Gold Bullion Securities is tied directly to the price of gold. The movement is reflected on the balance sheet and through the income statement in accordance with the company's accounting policy.

DIRECTORS' REPORT - CONTINUED

The company holds gold as security for the Gold Bullion Securities on issue and bears no financial risk from the movement in the gold price. The increase in market value of gold bullion reflects an appreciation in gold as valued at the balance sheet date compared to the value of gold when deposited with the company throughout the period.

These items effectively cancel each other out and have no net effect on the Income Statement.

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 years not already disclosed in this report or the attached financial report.

Dividends

The directors do not recommend the provision or payment of a dividend to Holders of Ordinary Shares for the year ended 31 December 2008 (2007 - £Nil).

Share Options Granted to Directors

There have been no share options granted to Directors in either this or in preceding financial years.

Employees

The company does not have any employees. It is the company's policy to use the services of specialist sub-contractors or consultants as far as possible.

Shareholders' Interests

ETF Securities Limited, a Jersey registered company no 88370 ("ETFs") acquired the entire share capital of Gold Bullion Securities Limited on 18th July 2008 from Gold Bullion Holdings (Jersey) Limited. Consent to the change in ownership was granted by the Jersey Financial Services Commission under Article 14(2) of the FSJ Law on 17 October 2008. All Ordinary shares are now held by the parent entity, ETF Securities Limited, a Jersey registered company.

Directors' Interests

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

Directors	Fully Paid Ordinary Shares
Graham John Tuckwell (as controlling party of ETFSL, the immediate parent company)	100

DIRECTORS' REPORT - CONTINUED

Directors' Remuneration

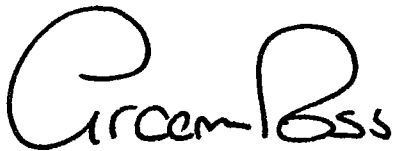
The following table discloses the remuneration of the directors of the company which has been paid by the company or the holding company. Gold Bullion Holdings (Jersey) Limited paid the directors fees up until 18 July 2008 and ETF Securities Limited paid the directors fees for the remainder of the year:

<u>Name</u>	<u>Total</u>
Specified Directors:	
<i>Non - Executive Directors</i>	
Graham J Tuckwell	Nil
James E Burton (Resigned 27 August 2008)	Nil
Dr Vincent W J FitzGerald	£10,000
Graeme D Ross	£5,000
Craig A Stewart	£5,000

Auditors

A resolution to re-appoint Deloitte LLP will be proposed at the forthcoming annual general meeting.

On behalf of the Directors



Graeme D Ross
Director
20 April 2009
Jersey

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.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GOLD BULLION SECURITIES LIMITED

We have audited the financial statements of Gold Bullion Securities Limited for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the cash flow statement, the statement of change in shareholders' equity and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

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

INDEPENDENT AUDITORS' REPORT


**TO THE SHAREHOLDERS OF GOLD BULLION SECURITIES LIMITED -
CONTINUED**

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the company's affairs as at 31 December 2008 and of its result for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.



Deloitte LLP
Chartered Accountants
St Helier, Jersey

29 ~~20~~ April 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
<i>Revenue From Ordinary Activities</i>	2		
Increase in market value of Gold Bullion			
Securities on issue	7	621,767,814	276,259,662
Creation and Redemption Fees		21,039	2,370
Gold Sales Charge		7,173,568	4,240,108
Bank interest received		2,643	4,883
Exchange gain		6,128	2,169
		628,971,192	280,509,192
<i>Expenses From Ordinary Activities</i>	2		
Increase in fair value liability on Gold Bullion			
Securities on issue	7	621,767,814	276,259,662
Service Fees – Administration fee paid to parent		7,203,153	4,249,004
Other expenses		225	526
		628,971,192	280,509,192
Result for the year		-	-
Retained Profit brought forward		103,336	103,336
Retained Profit carried forward		103,336	103,336

The directors consider the company's activities are continuing.

The notes on pages 13 to 21 form an integral part of these financial statements.

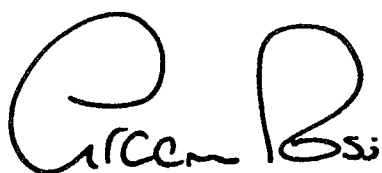
BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 £	2007 £
<i>Current Assets</i>			
Cash		15,433	5,179
Gold Sales Charges receivable		768,776	465,139
Creation Fees receivable		18,738	1,255
Accrued income		300	1,649
Administration Fee receivable from GBH		192,392	-
Gold 'swing bar'	6	256,341	179,578
Gold Bullion held for Gold Bullion Securities issued	7	2,229,685,396	1,308,927,198
Total Current Assets		<u>2,230,937,376</u>	<u>1,309,579,998</u>
 <i>Total Assets</i>			
		<u>2,230,937,376</u>	<u>1,309,579,998</u>
 <i>Equity</i>			
Share Capital	9	100	100
Share Premium		99,900	99,900
Retained Profits		103,336	103,336
Total Equity		<u>203,336</u>	<u>203,336</u>
 <i>Current Liabilities</i>			
Administration Fee payable to ETF/GBH	11	789,869	267,556
Trade Creditors		2,170	2,170
Gold loan	6	256,341	179,578
Gold Bullion Securities on issue	8	2,229,685,660	1,308,927,358
Total Current Liabilities		<u>2,230,734,040</u>	<u>1,309,376,662</u>
 <i>Total Equity and Liabilities</i>			
		<u>2,230,937,376</u>	<u>1,309,579,998</u>

The financial statements on pages 10 to 21 were approved by the board of directors and signed on its behalf on 20 April 2009.

The notes on pages 13 to 21 form an integral part of these financial statements.



Graeme D Ross
Director

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
<i>Cash Flows From Operating Activities</i>			
Receipts from customers		3,556	2,615
Proceeds from sale of Gold Sales Charge gold		7,638,707	4,093,010
Payments to Suppliers		-	-
Miscellaneous expenses		(225)	(526)
<i>Net cash provided by operating activities</i>		7,642,038	4,095,099
 <i>Cash Flows From Investing Activities</i>			
Interest received		3,993	3,234
<i>Net cash generated from investing activities</i>		3,993	3,234
 <i>Cash Flows From Financing Activities</i>			
Loans advanced to parent company		(7,642,009)	(4,278,371)
Proceeds from issue of Gold Bullion Securities (zero coupon note)	8	104	18
<i>Net cash used in financing activities</i>		(7,641,905)	(4,278,353)
 <i>Net Increase/(Decrease) In Cash Held</i>		 4,126	 (180,020)
 <i>Exchange adjustment</i>		 6,128	 2,169
 <i>Cash At The Beginning Of The Year</i>		 5,179	 183,030
 <i>Cash At The End Of The Year</i>		 15,433	 5,179

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2008

	Share Capital £	Share Premium £	Accumulated profit £	Shareholder's equity £
Opening Balance at 1 January 2007	100,000	-	103,336	203,336
Profit for the year	-	-	-	-
Balance at 31 December 2007	100,000	-	103,336	203,336
Opening Balance at 1 January 2008	100,000	-	103,336	203,336
Profit for the year	-	-	-	-
Balance at 31 December 2008	100,000	-	103,336	203,336

The notes on pages 13 to 21 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

1. Accounting Policies

The financial statements have been prepared in accordance with the Companies (Jersey) Law 1991 (as amended) and International Financial Reporting Standards (IFRS). The main accounting policies of the company are described below.

Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through the income statement.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors 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 key accounting judgement is in respect of the determination of the gold sales charge receivables and valuation of gold bullion held for gold bullion securities.

Standards, amendments and interpretations not impacting on the company, issued but not effective for the year ended 31 December 2008:

IFRS 8, Operating Segments

IAS 23, Borrowing Costs. Revised

IAS 32, Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

IFRIC 11, IFRS2: Group and Treasury Share Transactions

IFRIC 12, Service Concession Arrangements

IFRIC 13, Customer Loyalty Programmes

IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 – CONTINUED

Going concern

These financial statements have been prepared on the going concern basis as the Directors consider the operations of the Company to be ongoing. The assets of the company match the liabilities and the monthly gold sales charge received by the Company is sufficient to meet the Company's liabilities.

Foreign currency translation

(a) Functional and presentation currency

The primary activity of the Company is the listing and issue of Gold Bullion Securities ('GBS').

The performance of the Company is measured and reported in GBP. The Board of Directors considers GBP as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in GBP which is the Company's functional and presentation currency.

(b) Transactions

Transactions of the company that are denominated in foreign currencies are translated into GBP at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates ruling at that date. The resulting differences are accounted for in the Income Statement.

Revenue

Fees received for the issue and redemption of securities are recognised at the date on which the transaction becomes legally binding. The gold sales charge is recognised on an accruals basis.

Gold Bullion

Holdings of gold bullion are stated at market value using the last quote provided by the London Bullion Market Association. The quote used in these accounts is the AM fix rate on 31 December 2008 being the last fix of the year.

Gold Bullion Securities

The securities on issue are designated as 'fair value through profit or loss' under International Accounting Standard 39. The fair value is calculated using the last quote provided by the London Bullion Market Association. The quote used in these accounts is the AM fix rate on 31 December 2008 being the last fix of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 - CONTINUED

2. Revenue from Ordinary Activities

Revenue from ordinary activities includes the following items of revenue and expense:

	2008	2007
	£	£
a) <i>Operating Revenue includes:</i>		
Sales revenue:		
Creation Fees/Redemption Fees	21,039	2,370
Gold Sales Charge ('GSC')	7,173,568	4,240,108
	<u>7,194,607</u>	<u>4,242,478</u>

GSC is accrued daily at 0.40% per annum on the total ounces held on behalf of GBS Holders and is deducted at the end of each month from the gold held on behalf of GBS Holders stored in the vaults of HSBC Bank USA, a National Association ("HSBC Bank USA, NA") in London. The GSC for the year totalled 14,915.836 (2007 - 11,938.314) fine troy ounces of which 13,626.249 (2007 - 10,860.64) ounces were sold at an average prevailing market price of £472.660 (2007 - £347.553) per ounce; and the remaining 1,289.587 (2007 - 1,077.674) ounces being receivable at year end was valued at the AM fix rate on 31 December 2008 of £596.141 per ounce.

	2008	2007
	£	£
b) <i>Expenses include:</i>		
Service Fees – Administration Fee paid to Parent	7,203,153	4,249,004
Other expenses	225	526
	<u>7,203,378</u>	<u>4,249,530</u>

All the above-mentioned costs have been incurred in the normal course of business.

With effect from 1 January 2005, a Service Agreement was entered into by the company and Gold Bullion Holdings (Jersey) Limited, Jersey registered no 87321 ("Jersey Holdings"). Pursuant to this Agreement, Jersey Holdings is responsible for supplying, at its own expense, the following services required by the company:

- any advisory or consultancy services required by the company in connection with establishing or running the Programme;
- liability insurance; and
- any advertising services in connection with the Programme, together with such other services as the parties may from time to time agree.

In return for Jersey Holdings performing its obligations under the Service Agreement, the company will pay to Jersey Holdings a fee equal to the Gold Sales Charge plus any Creation Fees and Redemption Fees received by the company less the company's own expenses in administering the Programme.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2008 – Continued

This agreement was terminated on 17 October 2008, as a result of Jersey Holdings agreeing to sell its entire share capital in the company to ETF Securities Limited. Jersey Holdings has decided to cease business and is currently winding up its position.

ETF Securities Limited advised that it was willing to provide the services previously provided by Jersey Holdings to the company under a new Service Agreement. On 17 October 2008 a new Service Agreement was entered into by the company and ETFS. Pursuant to this Agreement, ETFS is responsible for supplying at its own expense, the following services required by the company:

- supplying all management and administration services for the Company;
- paying all the management and administration costs of the Company.

In return for ETFS performing its obligations under the Service Agreement, the company will pay to ETFS a fee equal to the Gold Sales Charge plus any Creation Fees and Redemption Fees received by the company less the company's own expenses in administering the Programme.

The Service Fee will be paid by the Company to ETFS in gold at the end of each month during the term of this Agreement, provided that the Trustee agrees to transfer gold in an amount of the Gold Sales Charge for such month to the Company in accordance with the provisions of the Security Deed.

3. Directors' Remuneration

The directors of Gold Bullion Securities Limited during the period were:

- Mr Graham John Tuckwell
- Mr James Elvis Burton (Resigned 27 August 2008)
- Dr Vincent William John FitzGerald
- Mr Graeme David Ross
- Mr Craig Andrew Stewart

The parent entity reviews and revises remuneration packages of all specified directors from time-to-time. The following table discloses the remuneration of the directors of the company which have been paid by the parent entity during the period:

Name	Total
Specified Directors:	
<i>Non-Executive Directors</i>	
Graham J Tuckwell	Nil
James E Burton (Resigned 27 August 2008)	Nil
Dr Vincent W J FitzGerald	£10,000
Graeme D Ross	£5,000
Craig A Stewart	£5,000

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2008 – Continued

4. Income Tax

The Company has been granted exempt company status under Article 123A of the Income Tax (Jersey) Law 1961 for the 2008 year of assessment. In order to hold exempt status an annual fee of £600 is payable. The fee is included as an expense in the income statement as it is not dependent on the company's results. Exempt company status will be abolished and a general zero rate of Jersey corporate income tax will be introduced as from 1 January 2009. This rate will first apply to any accounting periods ending on or after this date.

5. Remuneration of Auditors

	2008	2007
	£	£
Auditing of the annual financial statements	11,750	11,000

The fees paid or payable in respect of the company for the financial year are paid by the parent entity.

6. Gold 'swing bar'

The company has an overdraft facility with HSBC Bank USA, NA 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 London Bullion Market Association being the AM fix rate on 31 December 2008 of £596.141 (2007 - £417.624). The loan is denominated in gold ounces and revalued at the period end through the profit and loss account to match the fair value movement of the gold bar held. The overdraft is repayable on demand.

The company intends to maintain the overdraft as long as the company continues to operate.

7. Gold Bullion held as security for GBS issued

	2008	2007
	£	£
Gold Bullion held as security for GBS issued	2,229,685,396	1,308,927,198

The amount of gold bullion held on behalf of holders of Gold Bullion Securities at the year end was 3,740,198.033 (2007 - 3,134,224.081 ounces). The gold is recorded at market value using the AM fix rate on 31 December 2008 quoted by the London Bullion Market Association of £596.141 (2007 - £417.624 per fine troy ounce).

The gold is held by the company and is subject to a fixed charge in favour of the Trustee (The Law Debenture Trust Corporation p.l.c.) under the Security Deed to secure the obligations owed by the Company to the Trustee and the Security Holders in respect of the Gold Bullion. The gold, to which the Holder is entitled, is held by the Custodian Bank (HSBC Bank USA, NA) in vaults in London.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2008 - Continued

The movement in the Gold Bullion held in the year can be analysed as follows:

	Ounces	£
Balance b/f	3,134,224.081	1,308,927,198
Value of creations	1,294,475.321	595,195,166
Value of redemptions	(688,501.369)	(296,204,782)
Movement in fair value	-	621,767,814
Balance c/f	3,740,198.033	2,229,685,396

8. Gold Bullion Securities on issue

	2008	2007
	£	£
Gold Bullion Securities on issue	2,229,685,660	1,308,927,358

The Company issues Gold Bullion Securities which are a secured undated zero coupon note issued by the Company at a nominal value of 1/1000th of one US cent and bear a beneficial interest in physical gold bullion which entitles the Holder to approximately 1/10th of a fine troy ounce of gold per note.

The Gold Bullion Securities are quoted on the London Stock Exchange, Euronext Paris SA, Borsa Italiana and the Frankfurt Stock Exchange. 13,156,745 (2007 - 6,774,352) were issued and 6,853,131 (2007 - 2,724,087) were redeemed during the year to 31 December 2008. 38,107,225 (2007 - 31,803,611) secured undated zero coupon notes were outstanding and had a face value of £264 (2007 - £160) at 31 December 2008.

The combined entitlement to gold held on behalf of Holders of Gold Bullion Securities amounted to 3,740,198.033 oz. (116 Tonnes) (2007 - 3,134,224.081oz. (97 tonnes)). The securities are recorded at fair value and the company's liability using the AM fix rate on 31 December 2008 quoted by the London Bullion Market Association is £2,229,685,396 (2007 - £1,308,927,198).

Pursuant to the Listing Particulars, Trust Instrument and Security Deed dated 24 March 2004, the company owns the gold deposited by Security Holders, with Holders' rights and entitlements protected by a first ranking security held by the Trustee over all the company's rights in relation to the Secured property.

As detailed in the Security Deed, the secured property is the gold held in the Secured Allocated Gold Accounts maintained with the Custodian. These accounts are controlled exclusively by the Trustee, whereby only the Trustee can authorise any payment or transfer out of either of the Secured Gold Accounts. Each time the Holder transfers a Gold Bullion Security to a new Holder, the beneficial interest in the gold bullion transfers to the new Holder.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2008 - Continued

The value disclosed is the face value of the securities plus the amount of Fixed Charge the Trustee holds in accordance with the Security Deed as at 31 December 2008.

- Holders of Gold Bullion Securities have the right at any time to require the redemption of all or any of its Gold Bullion Securities for gold or cash.
- Securities can be compulsorily redeemed by the Company on provision of 30 days notice or in the case of insolvency. Therefore an investment in Gold Bullion Securities may be redeemed earlier than desired by the Gold Bullion Holder.

Holders of Gold Bullion Securities have no right to the payment of any interest and there is no final maturity date.

9. Issued Share Capital

	2008 £	2007 £
100 fully paid Ordinary shares (£1 each)	100	100

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

All Ordinary shares issued by Gold Bullion Securities Limited carry one vote per share without restriction and carry the right to dividends.

ETF Securities Limited (a Jersey registered company) acquired the entire share capital of Gold Bullion Securities Limited from Gold Bullion Holdings (Jersey) Limited on 18th July 2008. Therefore, all Ordinary shares are now held by ETF Securities Limited, a Jersey registered company.

	2008		2007	
	Nos:	£	Nos:	£
Fully Paid Ordinary Shares				
Balance at beginning of year	100	100,000	100	100,000
Issue of Share capital	-	-	-	-
Share premium on issued shares	-	-	-	-
Balance at end of year	100	100,000	100	100,000

10. Contingent Liabilities and Contingent Assets

The company does not have any material contingent liabilities or contingent assets at 31 December 2008.

11. Related Party Disclosures and Ultimate Controlling Party

As a result of ETF Securities Limited acquiring the entire share capital of Gold Bullion Securities Limited on 18th July 2008 from Gold Bullion Holdings (Jersey) Limited, the immediate and ultimate parent and controlling entity of the Company is now ETF Securities Limited, a Jersey company registered No: 88370.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 - CONTINUED

Entities which have a significant influence over the company through the ownership of ETF Securities Limited's shares or by virtue of being a director or trustee of the company or the holding company are related parties of Gold Bullion Securities Limited. Details of the company's transactions with related parties during the year and the balances due to/(from) those entities at the year end are recorded below.

ETF Securities Limited meets all the operating expenses of the company. In return ETF Securities Limited receives an administration fee equal to the Gold Sales Charge plus any Creation Fees and Redemption Fees received by the company less the company's own expenses in administering the Programme. This fee amounted to £4,448,236 (2007: £Nil) in respect of the year ended 31 December 2008. At the year end ETF Securities Limited owed the company £3,658,366 (2007: £Nil) in loans. The net balance of £789,869 (2007: £Nil) is reflected on the balance sheet as a current liability.

Outstanding balances remain between the company and Gold Bullion Holdings (Jersey) Limited at 18 July 2008. The admin fee outstanding for the period to 18 July 2008 amounted to £10,349,052 (2007 - £4,249,004). At 18 July 2008 Gold Bullion Holdings (Jersey) Limited owed the company £10,541,445 in loans (2007 - £3,981,448). The net balance of £192,392 is reflected on the balance sheet as a current asset.

12. Fair value of financial assets and liabilities and financial risk

a) Gold 'swing bar'

The company has borrowed one "London Good Delivery" gold bar (of 430 fine troy ounces) from HSBC Bank USA, NA.

This gold swing bar facilitates the effective administration of the Trustee's allocated gold accounts by acting as a swing factor and ensuring that all Holders of Gold Bullion Securities receive allocated gold bullion bars. The Trustee uses the gold bar to provide any difference necessary to make up a London Good Delivery bar.

b) Interest Rate Risk

The company does not have significant exposure to interest rate risk since none of its liabilities bear any interest.

c) Financial risk

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

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 or loss and equity would have been affected by changing the relevant risk variable that were reasonably possible at that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 - CONTINUED

As disclosed in the Director's report, the Company's liability in connection with the issue of Gold Bullion Securities is tied directly to the price of gold. From the perspective of the Company, any changes in the fair value of the gold would be matched by an equal and opposite change in the fair value of the Gold Bullion Securities. Consequently the Company is not exposed to market price risk.

The Company receives part of its monthly gold sales charge in USD, the sales charge is accounted for in the records at the month end LBMA. Under the service level agreement with ETFSL the Company pays a management fee to ETFSL, part of the management fee paid to ETFSL is in USD and match's exactly the sum received by the Company by way of the monthly gold sales charge. As both amounts match there is no foreign exchange impact on the accounts.

Therefore, in the Director's opinion no sensitivity analysis is required to be disclosed.

e) Capital Management

The capital of the Company comprises issued share capital and retained earnings. The Company's policy is to maintain a capital base sufficient to sustain its future activities. As all gold bullion securities on issue are supported by an equivalent amount of physical Bullion held by the custodian and the running costs of the Company are paid by ETFSL, the Directors of this Company consider the capital management and value of Shareholders Funds are adequate to maintain the on-going listing and issue of gold bullion securities.

The Company is not subject to externally imposed capital requirements.

13. Additional Company Information

Gold Bullion Securities Limited is a public company incorporated and operating in Jersey, Channel Islands, the debt securities of which have been admitted to the official list of the UK Listing Authority under the debt listing rules and admitted to trading on the London Stock Exchange (LSE) and cross listed on Euronext Paris SA. The company's Gold Bullion Securities are quoted on the LSE (LSE Code: GBS and GBSS), on Euronext Paris SA (Euronext Code: GBS), on Borsa Italiana (Borsa Italiana Code: GBS) the Frankfurt Stock Exchange (Frankfurt Stock Exchange Code: GG9B). The company's addresses are as follows:

<p><i>Registered Office</i> Ordnance House 31 Pier Road St Helier JE4 8PW Channel Islands</p>	<p><i>Principal Place of Business</i> Ordnance House 31 Pier Road St Helier JE4 8PW Channel Islands</p>
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