

**GOLD BULLION SECURITIES LIMITED**

**Registered No: 87322**

**Unaudited Interim Financial Report for the  
Six Months to 30 June 2013**

# **GOLD BULLION SECURITIES LIMITED**

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# GOLD BULLION SECURITIES LIMITED

## DIRECTORS' REPORT

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The directors of Gold Bullion Securities Limited ("GBS" or the "Company") submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2013.

### Directors

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

Mr Graham J Tuckwell - Chairman

Mr Graeme D Ross

Mr Craig A Stewart (resigned 21 June 2013)

Mr Joseph L Roxburgh

Mr Mark K Weeks (appointed 21 June 2013)

### Principal Activities

During the period there were no significant changes in the nature of the Company's activities.

### Review of Operations

The Gold Securities are listed on the London Stock Exchange, the Deutsche Börse, the Borsa Italia and NYSE Euronext Paris. The most recent rollover prospectus was issued on 28 August 2012.

As at 30 June 2013, the Company had 39,542,183 (31 December 2012: 46,337,059) Gold Securities in issue, with assets under management of GBP 2,983.3 million (31 December 2012: GBP 4,605.0 million). The Company recognises its assets ("Gold Bullion") and financial liabilities ("Gold Securities") at fair value in the Condensed Statement of Financial Position.

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

	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>GBP</b>	<b>GBP</b>
Creation and Redemption Fees	41,728	31,522
Management Fees	8,743,402	8,170,485
Total Fee Income	<u>8,785,130</u>	<u>8,202,007</u>

Under the terms of the service agreement with ETFs Management Company (Jersey) Limited ("ManJer"), the Company accrued expenses equal to its income less its own administrative expenses, resulting in an operating result for the period of GBP Nil (30 June 2012: GBP Nil).

The gain or loss on Gold Securities and Gold Bullion is recognised in the Condensed Statement of Comprehensive Income in line with the Company's accounting policy, these gains or losses offset each other.

### 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 interim financial statements.

### Dividends

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

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

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**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 interest 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

**Directors' Remuneration**

No director has a service contract with the Company and details of the directors' remuneration which has been paid by ManJer on behalf of the Company for the period is disclosed below. Mr Craig A Stewart resigned on 21 June 2013, but received his fee to 30 June 2013.

	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>GBP</b>	<b>GBP</b>
Mr Graham J Tuckwell	Nil	Nil
Mr Graeme D Ross	3,750	3,750
Mr Craig A Stewart	3,750	3,750
Mr Joseph L Roxburgh	Nil	Nil
Mr Mark K Weeks	Nil	Nil

On behalf of the directors



**Graeme D Ross**  
Director  
Jersey  
27 August 2013

**GOLD BULLION SECURITIES LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

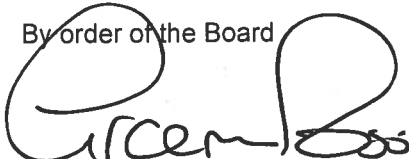
Company law requires the directors to prepare interim financial statements for each financial period. Under that law the directors have elected to prepare the interim financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting 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 period 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, the 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

27 August 2013

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

	Note	Period ended 30 June	
		2013 Unaudited GBP	2012 Unaudited GBP
<b>Revenue</b>	2	8,785,130	8,202,007
<b>Expenses</b>	2	(8,785,130)	(8,202,007)
<b>Operating Result</b>	2	-	-
Net Loss Arising on Fair Value of Gold Bullion	6	(1,030,723,714)	(7,440,410)
Net Gain Arising on Fair Value of Gold Securities	7	1,030,723,714	7,440,410
<b>Result and Total Comprehensive Income for the Period</b>		-	-

The directors consider the Company's activities as continuing.

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

		As at	
		30 June 2013	31 December 2012
		Unaudited	Audited
Note		GBP	GBP
<b>Current Assets</b>			
	Cash and Cash Equivalents	102,913	102,836
4	Gold Swing Bar	336,701	442,608
5	Trade and Other Receivables	1,091,366	1,649,472
6	Gold Bullion	2,983,272,342	4,604,988,100
7	Gold Securities Awaiting Settlement	64,621,049	-
<b>Total Assets</b>		<u>3,049,424,371</u>	<u>4,607,183,016</u>
<b>Current Liabilities</b>			
7	Gold Securities	2,983,272,602	4,604,988,387
6	Gold Bullion Awaiting Settlement	64,621,049	-
8	Trade and Other Payables	1,430,720	2,094,629
<b>Total Liabilities</b>		<u>3,049,324,371</u>	<u>4,607,083,016</u>
<b>Equity</b>			
9	Stated Capital	100,000	100,000
<b>Total Equity</b>		<u>100,000</u>	<u>100,000</u>
<b>Total Equity and Liabilities</b>		<u>3,049,424,371</u>	<u>4,607,183,016</u>

The financial statements on pages 4 to 11 were approved by the board of directors and signed on its behalf on 27 August 2013.



**Graeme D Ross**  
 Director

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

	<b>Period ended 30 June</b>	
	<b>2013 Unaudited GBP</b>	<b>2012 Unaudited GBP</b>
<b>Operating Result for the Period</b>	-	-
Non Cash Movement Due to Revaluation of Bullion	105,907	442
	<u>105,907</u>	<u>442</u>
<i>Changes in Operating Assets and Liabilities</i>		
Decrease in Receivables	558,106	51,369
Decrease in Payables	(663,909)	(51,860)
Cash Used in Operations	<u>(105,803)</u>	<u>(491)</u>
<b>Cash Flows from Financing Activities</b>		
Decrease in Undated Zero Coupon Notes	(27)	(2)
Net Cash Used in Financing Activities	<u>(27)</u>	<u>(2)</u>
<b>Net Movement in Cash and Cash Equivalents</b>	<u>77</u>	<u>(51)</u>
Cash and Cash Equivalents at the Beginning of the Period	102,836	101,646
Net Movement in Cash and Cash Equivalents	77	(51)
Cash and Cash Equivalents at the End of the Period	<u>102,913</u>	<u>101,595</u>

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



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

	<b>Share Capital GBP</b>	<b>Share Premium GBP</b>	<b>Retained Earnings GBP</b>	<b>Total Equity GBP</b>
Audited Opening Balance at 1 January 2012	100	99,900	-	100,000
Total Comprehensive Income for the Period	-	-	-	-
Unaudited Balance at 30 June 2012	<u>100</u>	<u>99,900</u>	<u>-</u>	<u>100,000</u>
Audited Opening Balance at 1 January 2013	100	99,900	-	100,000
Total Comprehensive Income for the Period	-	-	-	-
Unaudited Balance at 30 June 2013	<u>100</u>	<u>99,900</u>	<u>-</u>	<u>100,000</u>

The notes on pages 8 to 11 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 interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2012.

This half yearly report has not been audited or reviewed by the Company's auditors.

The presentation of interim financial statements in conformity with IFRS 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.

#### Accounting Standards

(a) *Standards, amendments and interpretations effective on 1 January 2013:*

- IFRS 13 "Fair Value Measurement"
- Amendments to IFRS 7 "Financial Instruments: Disclosures"
- Various improvements to IFRSs issued in 2011

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

(b) *Standards, amendments and interpretations effective on 1 January 2013 but not relevant to the Company:*

- Various improvements to IFRSs issued in 2011

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

- IFRS 9 "Financial Instruments" (effective 1 January 2015)
- Amendments to IAS 32 "Financial Instruments: Presentation" (effective 1 January 2014)

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.

#### 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 BULLION SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**

**1. Accounting Policies - continued**

**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.

**2. Operating Result**

Operating result for the period comprised:

	<b>Period ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>Unaudited GBP</b>	<b>Unaudited GBP</b>
Creation and Redemption Fees	41,728	31,522
Management Fees	8,743,402	8,170,485
<b>Total Revenue</b>	<b>8,785,130</b>	<b>8,202,007</b>
Management Fees to ManJer	(8,785,848)	(8,201,304)
Net Foreign Exchange Gain/(Loss)	791	(669)
Net Finance Charges	(73)	(34)
<b>Total Operating Expenses</b>	<b>(8,785,130)</b>	<b>(8,202,007)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

**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 ounce gold bar 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 London Bullion Market Association ("LBMA") being the PM fix rate on 28 June 2013 of GBP 783.03 per oz (31 December 2012: GBP 1,029.32 per oz). The loan is denominated in gold ounces and marked to fair value at the period end with movements recognised in the Condensed 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**

	<b>As at</b>	
	<b>30 June 2013</b>	<b>31 December 2012</b>
	<b>Unaudited GBP</b>	<b>Audited GBP</b>
Creation and Redemption Fees	20,702	24,740
Management Fees	1,070,664	1,624,732
	<b>1,091,366</b>	<b>1,649,472</b>

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

**6. Gold Bullion**

	As at	
	30 June 2013	31 December 2012
	Unaudited GBP	Audited GBP
Change in Fair Value for the Period/Year	(1,030,723,714)	103,493
Gold Bullion	2,983,272,342	4,604,988,100

As at 30 June 2013, there were certain amounts of Gold Bullion awaiting the creation or (redemption) of Gold Securities with trade dates before the period end and settlement dates in the following period. The amount receivable or (payable) on completion of these trades is GBP (64,621,049) (31 December 2012: GBP Nil).

All Gold Bullion assets have been valued using the PM fix on 28 June 2013 as quoted by the LBMA being the last fix price available for the period.

**7. Gold Securities in Issue**

	As at	
	30 June 2013	31 December 2012
	Unaudited GBP	Audited GBP
Change in Fair Value for the Period/Year	1,030,723,714	(103,493)
Gold Securities	2,983,272,602	4,604,988,387

As at 30 June 2013, there were certain Gold Securities awaiting (creation) or redemption with trade dates before the period end and settlement dates in the following period. The amount (receivable) or payable on completion of these trades is GBP (64,621,049) (31 December 2012: GBP Nil).

Gold Securities are secured, undated zero coupon notes with a face value of USD 0.00001. As at 30 June 2013, there were 39,542,183 (31 December 2012: 46,337,059) Gold Securities outstanding, with a face value, in aggregate, of GBP 260 (31 December 2012: GBP 287).

**8. Trade and Other Payables**

	As at	
	30 June 2013	31 December 2012
	Unaudited GBP	Audited GBP
Management Fees Payable to ManJer	1,092,540	1,650,629
Trade and Other Payables	1,479	1,392
Gold Loan	336,701	442,608
	1,430,720	2,094,629

**9. Stated Capital**

	As at	
	30 June 2013	31 December 2012
	Unaudited GBP	Audited GBP
100 Shares of GBP 1 Each, Issued at GBP 1,000 Each	100,000	100,000

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

**9. Stated Capital - continued**

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 ETFSL Holdings (Jersey) Limited ("HoldCo").

**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 period:*

	As at	
	30 June 2013	31 December 2012
	Unaudited USD	Audited USD
Management Fees	8,785,848	17,767,443

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

	As at	
	30 June 2013	31 December 2012
	Unaudited USD	Audited USD
Management Fees Payable	1,092,540	1,650,629

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 7,500 (30 June 2012: GBP 7,500).

Graeme D Ross and Craig A Stewart are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer secretarial and administration fees in respect of the Company of GBP 18,250 (30 June 2012: GBP 18,750), of which GBP 9,125 (30 June 2012: GBP 9,375) was outstanding at the period end.

Craig A Stewart was appointed as director of ManJer on 18 July 2013. Graeme D Ross was a director of ManJer until 21 June 2013.

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

**11. 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.