

Company Registration No. 04943684 (England and Wales)

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**DIRECTOR'S REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2008**

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**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**COMPANY INFORMATION**

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<b>Director</b>	P Tustain
<b>Secretary</b>	F Tustain
<b>Company number</b>	04943684
<b>Registered office</b>	2 King Street Cloisters Clifton Walk London W6 0GY
<b>Auditors</b>	Albert Goodman Mary Street House Mary Street Taunton Somerset TA1 3NW

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**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
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**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
DIRECTOR'S REPORT  
FOR THE YEAR ENDED 31 OCTOBER 2008**

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The director presents his report and financial statements for the year ended 31 October 2008.

**Principal activities and review of the business**

The principal activity of the company continued to be that of enabling its customers to buy and sell high-integrity physical gold via the internet, and arranging the custody of the gold in professional vaults in London, New York and Zurich.

The company delivers its service through the BullionVault.com website, which it owns and operates.

**Excellent 2008 results**

The company made exceptional progress in the year to 31 October 2008. At the year end BullionVault had 75,000 registered users (2007 : 35,000). 9,100 of these users are active (2007 : 4,400).

In this, the third full year of trading gold, sales amounted to £266m (2007 : £41m). This represents astonishing sales growth of 549%.

During the year under review the staff headcount increased from 8 to 11. New staff are employed as follows:-

- (i) In the multi-lingual development and support of the service. Further foreign language sites will be launched in 2009.
- (ii) In expanded administrative capacity

Modest expansion of the operation's size meant that the dramatically increased sales volumes quickly translated into profit. Accordingly, after the first two years in which revenues were consumed in the expenses of set-up and early expansion, in this third full year the business produced profits before tax of £1.75m.

**Greater financial strength**

The company's balance sheet strengthened again this year. This was not by raising new money, but through the retention of profits earned in 2008.

The company retains a strong ratio of shareholders' funds to administrative expenses of 6:1. This is 24 times stronger than the 3 month base capital requirement of typical regulated financial businesses.

Balance sheet liquidity is similarly exceptional. Essentially all the company's working capital - incorporating more than 95% of the assets of the company - is employed in cash and gold balances which has been held at call throughout the year.

**Current market position and trading**

We have within three years become the leading supplier of main market gold bullion to the UK retail customer. This has been recognized this year by our acceptance into the London Bullion Market Association, of which we are now the only full member dedicated to retail bullion ownership.

We have attained a solid position in the world's internet gold industry. We look after more than £280m of property fully segregated for customers from 83 countries. This comprises more than £30m in client money awaiting investment, and more than 13 tonnes of gold.

The BullionVault gold store, which is owned by about 10,000 individuals, comfortably exceeds the central bank bullion reserves of most of the world's currency systems including - for example - Canada (3.4 tonnes) and Mexico (3.5 tonnes).

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
DIRECTOR'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2008**

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We are increasingly successful in the Eurozone - with all the foreign language sites launched in 2007 making significant contributions to turnover and profitability during 2008. Taken as a whole Euro denominated trading has increased about 15 fold since 2006, which compares favourably with the 6 fold increase in sterling denominated business in the same period. Meanwhile our US Dollar denominated business grew by 10 times, and now comprises approximately 36% of our sales.

We have again had an excellent start to the current year which will end in October 2009. In the first quarter margins were up due to a gradual change of shape occurring in our business - a change which we anticipated and which is welcome. As the inventory of gold increases there is an increasing amount of trading which occurs on-line direct between BullionVault users. This does not show up as sales, but it does generate commission revenue, and results in our business operating less as a capital-intensive provider, and more as a systems-intensive public exchange.

Higher margins on higher sales means that profits in the current period are considerably exceeding the comparable period in the previous year.

We are looking forward to the coming year with a high degree of confidence.

**Future Prospects**

We anticipate deeper penetration into all our markets.

As long ago as 2004 we anticipated many of the financial problems which beset the world in 2008. More recently it became increasingly obvious that western governments would attempt to protect the financial world with well-meaning rescues of over-leveraged and under-capitalized financial organizations. However in our opinion those rescues will have the result of holding down interest rates at - for savers - unattractive levels, until very significant inflation takes off in response to the trillions of dollars injected into the financial system.

Both a near term low interest rate environment and a medium term high inflation environment signal deep structural problems with western currencies, and we anticipate this could be exceptionally good for customers' perceptions of gold, and thereby for our business. It is increasingly likely that savers will opt out of saving in currency, potentially creating a vicious circle of oversupply and falling values for cash and bonds, and a corresponding virtuous circle for gold.

Against this background we are particularly confident about the future, and will remain so until policy allows a secure and meaningful return to currency depositors. This does not look likely in the near future.

**Financial risks**

The company incurs certain risks in relation to financial transactions during the course of operating its business.

**Financial risk management objectives**

The key objective in using financial transactions is the maintenance of a float of gold and currency in order that the company's gold trading computer programs have sufficient access to funds and gold to be able to trade and settle trades on the BullionVault order board. More specifically the objectives are:-

1. To ensure an immediately available inventory of US Dollars, Euros and Pounds Sterling, cleared in bank accounts, while not unduly exposing the company to currency risk.
2. To ensure an immediately available inventory of gold vaulted in London, New York and Zurich, while not unduly exposing the company to risks of dramatic gold price movements.

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
DIRECTOR'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2008**

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**Policies**

To meet these objectives the company engages in three main styles of financial transaction.

1. Gold bullion trades. These are executed with reputable London bullion dealers. The company currently has accounts with four bullion dealers. All are members of the London Bullion Market Association. Three are subsidiaries of very large financial corporations. The company buys gold from them usually for settlement within 24 or 48 hours and is required to pay before receipt of bullion, on the day settlement is due.

2. Currency swaps. The company's foreign currency inventory is maintained through Lloyds TSB using currency swaps. The company buys US Dollars and Euros for same day settlement, and at the same instant sells them one or two months forward. The director believes this transaction is very low risk. Both legs are traded with Lloyds TSB, so there is negligible credit risk.

3. Currency spot trades. The company buys foreign currency from specialist Corporate FX providers for 24 hour or 48 hour settlement. It has accounts with three of these types of business.

The company is not at material risk from customer default because customers can only purchase gold with cleared money already received by the company. Similarly customers can only sell gold already in the custody of the company.

***Exposures to particular risks***

**Gold Supplier default**

In the Director's view the default of a market counterparty is the company's biggest risk. Although we always pay on the day settlement is due we could conceivably pay a counterparty in the morning for the afternoon delivery of gold which might not proceed if the counterparty were to fail after receiving our money, and before delivering us our gold.

These days size is clearly no protection from default, and there is no 100% safe counterparty.

Our counterparties for gold trades are all LBMA member firms. We have extended our number of suppliers so that we can avoid a concentration of counterparty risk. We now have accounts with four suppliers of gold bars. We arrange our gold purchases to prevent too much being settled on one day with one counterparty. This reduces the risk of a cataclysmic default.

We also now favour suppliers which segregate money upon receipt, and hold it segregated until we receive delivery of our gold. Although there is still the risk of operational abuse by a provider (i.e. failure to segregate correctly when under duress) we believe segregation offers us better protection than balance sheet size.

So far in these markets the clearest marker of financial weakness has been a counterparty's share price, and this in one case has caused us temporarily to suspend trading with one counterparty.

The director is spending increasing effort identifying ways - like funds segregation - to minimize the risk of one-sided settlement, and thereby insulate the company from any unknown weaknesses in its bullion suppliers. Nevertheless the professional bullion market remains an Over-The-Counter marketplace, where counterparty performance is the responsibility of the participants themselves.

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
DIRECTOR'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2008**

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**FX Supplier default**

We sometimes buy foreign exchange in the same way as we buy gold. We use specialist commercial FX providers who offer us segregated funds, and they have a much faster turn-around time for currency settlement than we experience for gold. This reduced turnaround time minimizes the scope for default between sending and receiving funds.

The sums at risk tend to be materially smaller than they are for gold purchases - and rarely extend to \$1m in a day.

We use these services with decreasing frequency as we have found trading the FX directly with the gold provider eliminates the FX supplier default risk, and can also reduce our trading costs.

**Bank failure**

Having caused amused comment when raised in previous Director's reports a failure of Lloyds TSB is now accepted as a material risk. Under our Terms and Conditions we are not on risk for losses incurred by our customers under the default of our bank, but as we now hold in excess of £40m of Client Money with Lloyds there is no doubt that the loss of it to a Lloyds TSB default would be a disaster.

Because Lloyds is an FSA regulated firm, and because our main accounts have been evidenced as Trust accounts containing Client Money, the FSA's compensation scheme could protect our customers for up to £50,000 each subject to the scheme rules available from the FSA. However we believe the timescale for receipt would be very long and we cannot imagine how the compensation fund would finance a payout after a Lloyds TSB default.

Galmarley Limited would not benefit from this protection with respect to our own money held at Lloyds.

Overall our view is that the British Government has shown great willingness to re-assure everyone with deposits at banks like Lloyds that their money is covered by an implicit if not explicit government guarantee. We believe this makes a Lloyds TSB default very unlikely in the short term. However we remain concerned - not least about the ability of the British Government to stand behind these implicit guarantees.

That's why we tell our customers that buying gold is the sure way to avoid the risk of Lloyds TSB's default.

**Market risk**

The company is exposed to movements in the gold price. It maintains an unhedged gold inventory of approximately 100 kg which is allowed to float up and down by a maximum of 50kg before being corrected by a market trade.

It is not economic to hedge this small balance entirely out of market risk. A maximum long of 150kg undergoing a two percent price fall in gold - which would be a sharp one day move - costs the company about £37,000 in inventory losses. By the same token price rises produce similar inventory profits.

This is not a material risk.

**Liquidity risk**

The company only operates in gold and currency markets both of which are among the deepest capital markets in the world. There is minimal risk of these markets becoming illiquid in normal circumstances. Gold has had by far the best long term record of deep and liquid markets of any financial asset in history.

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
DIRECTOR'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2008**

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**Cash flow risk**

The company has no current material risk in terms of cash flow. The company has sufficient shareholders funds to meet all expenses at the current level for seven years - even in the absence of any revenues.

The company's assets are almost entirely held in currency and gold which are both highly liquid, so there is no realistic danger of not being able to raise any cash required in the short and medium term.

**Other financial risks**

The most material other financial risk to the business is customer fraud. In the course of normal business we pay large sums by bank wire to our customers' original funding bank account. We regard every substantial payment as having a potential for serious loss. Nevertheless we must pay our customers quickly and efficiently when they demand it. We maintain tight control of our procedures in this regard.

**Other risks**

The Director believes that there are - as in any business - unquantifiable risks relating to, for example, reputation and unpredictable force majeure events. These are a general feature of a modern business environment, although there are not specific known instances to which the business is materially exposed.

**Results and dividends**

The results for the year are set out on page 9.

The director does not recommend payment of an ordinary dividend.

**Director**

The following director has held office since 1 November 2007:

P Tustain

**Statement of disclosure to auditors**

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



P Tustain

**Director**

18 March 2009



**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
DIRECTOR'S RESPONSIBILITIES  
FOR THE YEAR ENDED 31 OCTOBER 2008**

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The director is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the director to prepare financial statements for each financial year which 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. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

The Director is responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF GALMARLEY LIMITED**

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We have audited the financial statements of Galmarley Limited for the year ended 31 October 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. 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 Section 235 of the Companies Act 1985. 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 the director and auditors**

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's 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 Act 1985, and whether in our opinion the information given in the director's report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

**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 judgements made by the director 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.

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.

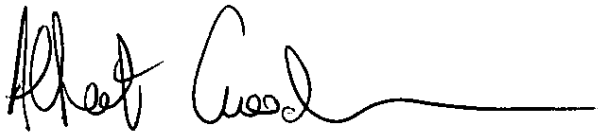
**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
INDEPENDENT AUDITORS' REPORT (CONTINUED)  
TO THE SHAREHOLDERS OF GALMARLEY LIMITED**

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**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director's report is consistent with the financial statements.



**Albert Goodman**  
**Chartered Accountants**  
**Registered Auditor**  
19 March 2009

Mary Street House  
Mary Street  
Taunton  
Somerset  
TA1 3NW

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 OCTOBER 2008**

	Notes	2008 £	2007 £
Turnover	2	267,728,153	41,341,235
Cost of sales		(265,081,979)	(40,699,322)
<b>Gross profit</b>		<u>2,646,174</u>	<u>641,913</u>
Administrative expenses		(784,804)	(494,194)
<b>Operating profit</b>	3	<u>1,861,370</u>	<u>147,719</u>
Interest payable and similar charges	4	(110,591)	(122,894)
<b>Profit on ordinary activities before taxation</b>		<u>1,750,779</u>	<u>24,825</u>
Tax on profit on ordinary activities	5	(531,500)	(3,749)
<b>Profit for the year</b>	13	<u><u>1,219,279</u></u>	<u><u>21,076</u></u>

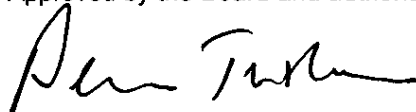
The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**BALANCE SHEET**  
**AS AT 31 OCTOBER 2008**

	Notes	2008 £	£	2007 £	£
<b>Fixed assets</b>					
Tangible assets	6		9,459		3,864
<b>Current assets</b>					
Stocks	7	2,266,543		1,877,558	
Debtors	8	5,376,007		1,701,912	
Cash at bank and in hand		6,311,816		3,569,324	
		13,954,366		7,148,794	
<b>Creditors: amounts falling due within one year</b>	9	(7,796,346)		(2,527,195)	
<b>Net current assets</b>			6,158,020		4,621,599
<b>Total assets less current liabilities</b>			6,167,479		4,625,463
<b>Creditors: amounts falling due after more than one year</b>	10		(1,387,393)		(1,193,752)
			4,780,086		3,431,711
<b>Capital and reserves</b>					
Called up share capital	12		311,228		311,228
Share premium account	13		3,208,297		3,208,297
Profit and loss account	13		1,260,561		(87,814)
<b>Shareholders' funds</b>	14		4,780,086		3,431,711

Approved by the Board and authorised for issue on 18 March 2009



P Tustain  
Director

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 OCTOBER 2008**

	£	2008 £	£	2007 £
<b>Net cash inflow/(outflow) from operating activities</b>		2,165,078		(172,028)
<b>Returns on investments and servicing of finance</b>				
Interest paid	(110,591)		(122,894)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(110,591)		(122,894)
<b>Taxation</b>		11,746		-
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(10,682)		(5,260)	
<b>Net cash outflow for capital expenditure</b>		(10,682)		(5,260)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		2,055,551		(300,182)
<b>Financing</b>				
Issue of ordinary share capital	-		2,989,568	
<b>Issue of shares</b>	-		2,989,568	
Other new long term loans	193,641		163,278	
Other new short term loans	615,800		122,587	
Repayment of other short term loans	(122,500)		(1,000,125)	
<b>Increase/(decrease) in debt</b>	686,941		(714,260)	
<b>Net cash inflow from financing</b>		686,941		2,275,308
<b>Increase in cash in the year</b>		2,742,492		1,975,126

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 OCTOBER 2008**

<b>1 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating profit	1,861,370	147,719
Depreciation of tangible assets	5,087	2,596
Increase in stocks	(388,985)	(286,773)
Increase in debtors	(3,674,095)	(1,278,653)
Increase in creditors within one year	4,232,605	1,204,099
Share based payment	129,096	38,984
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,165,078</b>	<b>(172,028)</b>

<b>2 Analysis of net funds</b>	<b>1 November 2007</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 October 2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net cash:				
Cash at bank and in hand	3,569,324	2,742,492	-	6,311,816
Debt:				
Debts falling due within one year	(704,375)	(493,300)	-	(1,197,675)
Debts falling due after one year	(1,193,752)	(193,641)	-	(1,387,393)
	(1,898,127)	(686,941)	-	(2,585,068)
<b>Net funds</b>	<b>1,671,197</b>	<b>2,055,551</b>	<b>-</b>	<b>3,726,748</b>

<b>3 Reconciliation of net cash flow to movement in net funds</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Increase in cash in the year	2,742,492	1,975,126
Cash (inflow)/outflow from (increase)/decrease in debt	(686,941)	714,260
<b>Movement in net funds in the year</b>	<b>2,055,551</b>	<b>2,689,386</b>
Opening net funds/(debt)	1,671,197	(1,018,189)
<b>Closing net funds</b>	<b>3,726,748</b>	<b>1,671,197</b>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2008**

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**1 Accounting policies**

**1.1 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

**1.2 Turnover**

Turnover represents amounts receivable for sale of gold and services supplied to customers including interest earned on client accounts.

**1.3 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	33.33% Straight Line
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**1.4 Stocks**

Stocks consist of gold held by the company, and are valued at the closing pm fix as determined by the London Bullion Market Association at the balance sheet date. Changes in the valuation of stocks are recorded in the profit and loss account.

Whilst this policy is consistent with that adopted by similar businesses it is not in accordance with the requirements of SSAP 9, Stocks and long term contracts, which requires stocks to be valued at the lower of cost and net realisable value. The director considers the policy of valuing stocks at net realisable market value to be necessary to show a true and fair view and wholly consistent with the operation of the company's business. It is not possible to quantify the impact of departing from SSAP 9 as historic information regarding original cost has no application to the business and is therefore not available.

**1.5 Client accounts**

The company operates separately designated client accounts in each currency in which the company trades. Customers are only able to purchase gold once the company has received cleared money and this money is paid to and held in the separately designated client accounts. As these amounts are held within designated client accounts and ownership is retained by the customers, these cash balances are not included in the balance sheet of the company.

**1.6 Pensions**

The company makes payments to personal pension schemes for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

**1.7 Deferred taxation**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

**1.8 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.



**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2008**

**1 Accounting policies**

**(Continued)**

**1.9 Financial instruments**

Debtors and creditors include amounts due for settlement under gold contracts, spot foreign exchange and currency swap contracts. These amounts are valued at market prices prevailing at the balance sheet date. Changes in the valuation are recorded via the profit and loss account.

Currency swaps are entered into with a view to managing exposure to foreign currency fluctuations. These are accounted for on an accruals basis which is in line with the item they are hedging.

**2 Turnover**

The company's income is derived from its activities of enabling its customers to buy and sell gold via the internet and arranging the custody of the gold owned by its customers which, for the purposes of segmental analysis, is considered by the director to be a single global market.

<b>3 Operating profit</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Depreciation of tangible assets	5,087	2,596
Operating lease rentals	33,300	25,886
Auditors' remuneration	18,731	11,894
	<u>          </u>	<u>          </u>
<b>4 Interest payable</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	1,497	627
On other loans wholly repayable within five years	-	46,226
Other interest	109,094	76,041
	<u>          </u>	<u>          </u>
	<b>110,591</b>	<b>122,894</b>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2008**

<b>5</b>	<b>Taxation</b>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
	<b>Domestic current year tax</b>		
	U.K. corporation tax	531,500	3,749
	<b>Current tax charge</b>	<b>531,500</b>	<b>3,749</b>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	1,750,779	24,825
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.80% (2007 - 19.58%)	504,224	4,861
	Effects of:		
	Non deductible expenses	37,604	8,488
	Depreciation add back	1,465	508
	Capital allowances	(3,659)	(995)
	Tax losses utilised	-	(7,939)
	Other tax adjustments	(8,134)	(1,174)
		27,276	(1,112)
	<b>Current tax charge</b>	<b>531,500</b>	<b>3,749</b>
<b>6</b>	<b>Tangible fixed assets</b>		
			<b>Fixtures, fittings &amp; equipment £</b>
	<b>Cost</b>		
	At 1 November 2007		21,151
	Additions		10,682
	At 31 October 2008		31,833
	<b>Depreciation</b>		
	At 1 November 2007		17,287
	Charge for the year		5,087
	At 31 October 2008		22,374
	<b>Net book value</b>		
	At 31 October 2008		9,459
	At 31 October 2007		3,864

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<b>7</b>	<b>Stocks</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Gold	2,266,543	1,877,558
<b>8</b>	<b>Debtors</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Main market gold settlements (within 48 hours)	2,367,462	999,279
	Foreign exchange trade receivables (within 48 hours)	1,614,197	-
	Currency swap receivables	1,341,671	683,263
	Other debtors	48,318	15,011
	Prepayments and accrued income	4,359	4,359
		5,376,007	1,701,912
<b>9</b>	<b>Creditors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Main market gold settlements	2,380,660	1,000,493
	Foreign exchange trade payables	1,594,832	-
	Currency swap payables	1,410,708	684,165
	Corporation tax	546,995	3,749
	Director's current account	515,003	-
	Other creditors	1,197,675	707,401
	Accruals and deferred income	150,473	131,387
		7,796,346	2,527,195

Other creditors include £1,197,675 (2007: £704,375) in respect of loans denominated in gold. These loans are repayable in gold and the liability has been valued at the closing pm fix as determined by the London Bullion Market Association. Interest on this debt is payable at between 2.75% and 3% on the average closing sterling price of gold, dependent on the notice period of the loan. Redemption of these loans can be made at any time by way of one months notice given by either the company or the lender. These loans of bullion are from individuals to the company and there is no impact on the segregation of the gold owned by BullionVault customers.

The Director's current account includes a short term loan of £424,650 (2007: £nil) denominated in gold. There are no fixed terms for repayment of this loan and this loan has been made to the company on an interest free basis during the period to 31 October 2008.

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<b>10 Creditors: amounts falling due after more than one year</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Other loans	1,387,393	1,193,752
	<u>          </u>	<u>          </u>
<b>Analysis of loans</b>		
Not wholly repayable within five years other than by instalments:	1,387,393	1,193,752
Wholly repayable within five years	1,197,675	704,375
	<u>          </u>	<u>          </u>
	2,585,068	1,898,127
Included in current liabilities	(1,197,675)	(704,375)
	<u>          </u>	<u>          </u>
	1,387,393	1,193,752
	<u>          </u>	<u>          </u>

The loans due in more than one year relate to cash loans of £162,400 (2007: £162,400) and loans denominated in gold of £1,224,993 (2007: £1,031,352).

The cash and gold loans are undated and it is the intention that these are long term loans to the company. As with the gold loans due in less than one year, the loans are repayable in gold and the liability has been valued at the closing pm fix as determined by the London Bullion Market Association. Interest on these loans is payable at 7% per annum and is computed on the value of the gold loan based on the value of gold at 31 March each year. £1,086,128 (2007: £914,438) of the gold loans are from the Director or his pension scheme to the company and there is no impact on the segregation of the gold owned by BullionVault customers.

**11 Pension and other post-retirement benefit commitments**

**Defined contribution**

The company makes payments to personal pension schemes of employees. The pension cost charge represents contributions payable by the company to the fund.

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	4,119	51,182
	<u>          </u>	<u>          </u>

**12 Share capital**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000,000 Ordinary Shares of £1 each	1,000,000	1,000,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
311,228 Ordinary Shares of £1 each	311,228	311,228
	<u>          </u>	<u>          </u>

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**13 Statement of movements on reserves**

	Share premium account £	Profit and loss account £
Balance at 1 November 2007	3,208,297	(87,814)
Profit for the year	-	1,219,279
Credit in respect of employee share options	-	129,096
	<u>3,208,297</u>	<u>1,260,561</u>
Balance at 31 October 2008	<u>3,208,297</u>	<u>1,260,561</u>

**14 Reconciliation of movements in shareholders' funds**

	2008 £	2007 £
Profit for the financial year	1,219,279	21,076
Proceeds from issue of shares	-	3,007,650
Movements on other reserves	-	(18,082)
Credit in respect of employee share options	129,096	38,984
	<u>1,348,375</u>	<u>3,049,628</u>
Net addition to shareholders' funds	<u>1,348,375</u>	<u>3,049,628</u>
Opening shareholders' funds	3,431,711	382,083
	<u>4,780,086</u>	<u>3,431,711</u>
Closing shareholders' funds	<u>4,780,086</u>	<u>3,431,711</u>

**15 Director's emoluments**

	2008 £	2007 £
Emoluments for qualifying services	48,821	-
Company pension contributions to money purchase schemes	4,119	51,182
	<u>52,940</u>	<u>51,182</u>
	<u>52,940</u>	<u>51,182</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2007 - 1).

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**16 Employees**

**Number of employees**

The average monthly number of employees (including directors) during the year was:

	2008 Number	2007 Number
Directors	1	1
Development and support staff	9	5
	10	6

**Employment costs**

	2008 £	2007 £
Wages and salaries	350,783	216,234
Social security costs	29,962	23,868
Share based payment	129,096	38,984
Other pension costs	4,119	51,182
	513,960	330,268

**17 Control**

The company is controlled by Paul Tustain, Director.

**18 Related party transactions**

Included within other creditors due in more than one year are amounts due to the Director, Paul Tustain of £936,785 (2007: £788,586) in respect of gold lent to the company to support its trading activities and £162,400 (2007: £162,400) in respect of a loan to the company. In respect of the gold loan, interest is paid at 7% pa based on the valuation of the gold at 31 March each year and interest of £100,443 (2007: £47,200) has been charged to the profit and loss account. Interest is also paid at 7% on the other loan and interest of £11,478 (2007: £15,828) has been charged to the profit and loss account. Both of these loans are undated and are intended to be long term loans to the company, see note 10.

Also included in creditors due in more than one year are amounts due to the Director's pension scheme of £149,343 (2007: £125,716) in respect of gold lent to the company. Interest is paid at 7%pa based on the valuation of the gold at 31 March each year and interest of £9,320 (2007: £7,222) has been charged to the profit and loss account.

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**19 Share based payment**

During the year ended 31 October 2006, the company established a government approved share option scheme known as Company Share Option Plans (CSOP).

The option scheme is described below.

Type of arrangement	Company Share Option Plan	Company Share Option Plan
Date of grant	29 July 2006	7 December 2007
Number granted	16,000	3,890
Contractual life	10 years	10 years

The estimated fair value of each share option granted is based on the intrinsic value of the option, measured as the difference between the fair value of the shares at the balance sheet date or date of exercise and the exercise price of the option. For the options outstanding at 31 October 2008, the fair value of the options at that date is considered to be £167,200 (2007: £38,984). As the shares are not listed the fair value of the options is based on various assumptions with regard to the value of the underlying shares that cannot be tested.

Further details of the two share option plans are as follows:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of year	16,000	£10	16,000	£10
Granted	3,890	£30	16,000	-
Exercised	-	£nil	12,000	-
Outstanding at end of year	19,890	£13.91	16,000	£10
Exercisable at end of year	-	-	-	-

The options in issue at 1 November 2008 have an exercise price of £10, and a remaining contractual life of 8 years. The options can be exercised in stages, with the earliest possible exercise of 6,000 options on 31 July 2009. The remaining stages allow for 4,400 options to be exercised from 31 July 2010, a further 4,400 options to be exercised from 31 July 2011 and the final 1,200 options to be exercised from 31 July 2012. For these options, the last possible exercise date is 30 June 2016.

The options issued during the year ended 31 October 2008 have an exercise price of £30 and a remaining contractual life of 10 years. The options can be exercised in stages, with the earliest possible exercise of 1,459 options on 31 December 2010. The remaining stages allow for 1,070 options to be exercised from 31 December 2011, a further 1,070 to be exercised from 31 December 2012 and the final 291 options to be exercised from 31 December 2013. For these options, the last possible exercise date is 31 December 2017.