

Company Registration number 04943684

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT COM**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2012**

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

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<b>Directors</b>	P G Tustain G Lockwood M Grubb T Levene
<b>Company secretary</b>	J Prytula
<b>Registered office</b>	12th Floor Landmark House Blacks Road London W6 9DP
<b>Auditors</b>	Albert Goodman LLP Mary Street House Mary Street Taunton Somerset TA1 3NW

## **GALMARLEY LIMITED**

### **TRADING AS BULLIONVAULT.COM**

#### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012**

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The directors present their report and the financial statements for the year ended 31 October 2012

##### **Directors of the company**

The directors who held office during the year were as follows

P G Tustain

G Lockwood

M Grubb

T Levene

##### **Principal activity**

The principal activity of the company continued to be that of enabling its customers to buy and sell high integrity gold and silver physical bullion via the internet, and arranging the custody of the bullion in professional vaults in London, New York and Zurich. The company delivers its service through the BullionVault.com website, which it owns and operates.

##### **2012 results**

The company made slower but satisfactory progress in the year to 31 October 2012. At the year end BullionVault had 42,768 active users (2011 33,072). In this, the seventh full year of trading bullion, sales amounted to £380m (2011 £559m, and 2010 £304m).

Both in turnover and profit the 2012 figures suffer by comparison with an explosive final quarter of the year to October 2011.

Agency purchases - where a client buys directly from another client on the BullionVault order board - also suffered by comparison with the explosive 2011. In 2012 £811m (2011 £1,021m, and 2010 £381m).

Agency sales have the effect of providing us with no sales but two commissions, whereas trading as principal provides us with 'official' sales, one mark-up, and one commission. The effect of the continuing shift to Agency sales indicates a slowing of sales growth but an increase in reported margin.

##### **Gold**

The gold price had a much quieter year, beginning and ending 2012 at similar levels while exhibiting some volatility during the period.

As at 31 Oct 2012 we were looking after 31.4 tonnes (2011 26.3 tonnes, and 2010 21.2 tonnes).

##### **Silver**

Silver prices also went sideways throughout the year. By October 2012 we were storing 333 tonnes (2011 245 tonnes, and 2010 89 tonnes).

## **GALMARLEY LIMITED**

### **TRADING AS BULLIONVAULT.COM**

#### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012**

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##### **Headcount**

During the year under review our staff headcount increased again from 31 to 37. This was in line with projections. The increased headcount supports new initiatives which are being developed, and which have now started rolling out as services available to customers.

These will continue to appear over the coming months.

##### **Financial strength**

The company again made a substantial transfer to its internal reserves. It retains net shareholders funds of £22.0 million (2011: 19.1m) which are all held in immediately marketable bullion, or in cash held at call. By comparison the company cost £3.65 million to run last year. The multiple of shareholders' funds to running costs remains extraordinarily strong.

The net assets per £1 ordinary share continued to grow, to £61 (2011: £54).

##### **Current market position and trading**

We remain the leading supplier of main market gold bullion to the UK retail customer and we believe we are the global leader on the internet.

As at 31 Oct 2012 we look after \$1.738bn (£1.078bn) in gold. We also look after \$345m (£214m) in silver, and \$195m (£121m) in client money cash balances. In total that places client assets in our care at \$2.278 billion (£1.413bn).

This current year continues to trade satisfactorily as a steady stream of new customers elects to own gold the BullionVault way.

On balance we believe a permanent contraction in customer demand for physical precious metals remains unlikely in the context of the monetary problems which continue unresolved in Europe, the UK, and to a lesser extent in USA.

For the moment the debt market is supporting the banking system. Sovereign bonds remain unquestioned (by regulators) as high quality collateral - just as were certain other ultimately flawed AAA assets, until quite recently.

It seems only a matter of time until the extraordinarily high prices of bonds - and their low yields - trigger a new crisis. It seems logical that at such a time gold would benefit. However nothing is certain, and that includes timing.

Counting in the other direction is the robustness of the US recovery. On the face of it this seems real in the data, but we should remember that it is happening under extraordinary fiscal and monetary looseness which it may prove impossible to sustain.

We continue to look forward to the coming year with a high degree of concern for the monetary system and - consequently - a cautiously healthy degree of confidence in the gold and silver markets.

## **GALMARLEY LIMITED**

### **TRADING AS BULLIONVAULT.COM**

#### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012**

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##### **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 bullion and currency in order that the company's bullion trading computer programs have sufficient access to funds and bullion to be able to trade and settle trades on the BullionVault order board, where the rules require instantaneous settlement. This means any bullion sold on the order board by the company must already belong to the company, and be in the vault when sold, and any money used to bid for bullion must already be at the company's bank, and be capable of being immediately credited to the seller in cleared funds.

So, more specifically, the objectives of our financial transactions 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 bullion vaulted in London, New York and Zurich, while not unduly exposing the company to risks of dramatic bullion price movements

##### **Policies**

To meet these objectives the company engages in two main styles of financial transaction giving rise to material risk

1 Gold and silver 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 bullion 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. Making that payment prior to delivery exposes the company to a counterparty default.

2 Trades giving rise to a long position in gold or a foreign currency. Given that the company has shareholders' funds amounting to £22.0m this has to be held somehow. Leaving it all in sterling (or hedging positions to create a uniquely sterling based risk profile) eliminates any risk of nominal sterling profits or losses arising from rises or falls in the prices of currency and bullion. However that policy would run the risk of a slide in sterling's value significantly impairing the company's ability to buy bullion and FX for stock. In order to mitigate to some degree the risk of such a slide in sterling from impacting the business the company elects to maintain material positions in both bullion and foreign currency. Currently these do not exceed 50% of shareholders' funds. Holding assets which are not sterling gives rise to the possibility of both profits and losses, when, at the end of the year, the holding is presented at its then market value.

## **GALMARLEY LIMITED**

### **TRADING AS BULLIONVAULT.COM**

#### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012**

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There is no material risk regarding the spot and forward currency transactions which the company also undertakes, as in these the amount owed (in one currency) is in value terms owing (in another currency), and both amounts are open with the same counterparty and/or settle at the same time

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

#### ***Exposure to particular risks***

##### **Bullion Supplier default**

Before explaining the nature of the company's biggest risk it is important to point out that this risks only the company's money. Neither client money nor client bullion is exposed

In our view the default of a market counterparty is the company's biggest direct financial 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 bullion, which might not proceed if the counterparty were to fail after receiving our money, and before delivering us our bullion

There is no 100% safe counterparty

Our counterparties for bullion trades are all LBMA member firms. We have a number of suppliers so that we can avoid an undue concentration of counterparty risk. As far as we can we arrange our purchases to prevent too much being settled on one day with one counterparty

We try to keep settlements below £5m and we are successful in more than 95% of cases. This does not reduce the risk of a default by a major bullion bank, but does somewhat reduce its consequence

We would favour suppliers who segregate money upon receipt, and hold it segregated until we receive delivery of our bullion. Although there is still the risk of operational abuse by a provider (i.e. failure to segregate correctly when under duress) we believe segregation probably offers us better protection than balance sheet size, because modern balance sheets in the banking sector are not generally both comprehensive and credible

But our major suppliers do not segregate our money upon receipt, which means they do not have to finance our purchase for one or two hours with their own funds. This benefits them in lower costs, and benefits us in their more competitive pricing

This raises a question of judgment which the board keeps under review. We must weigh the risk of default in that two hour period against the higher pricing which goes with a segregated service. By exercising good judgment we would switch from a competitive unsegregated service to a less competitive but segregated service at any time which suggested increased risks of default, and we have to bear in mind that it is exactly when the risk of defaults increases that we are likely to be at our busiest

## **GALMARLEY LIMITED**

**TRADING AS BULLIONVAULT.COM**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012**

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### **Reporting currency risk**

We regard it as still quite likely that we will see dramatic financial failures in both the short and medium term, although the risk is reducing as governments increasingly react to crisis by injecting the occasional €1 trillion (or £100 billion) of liquidity. This presents us with a smaller risk of financial failure, but a bigger risk of currency failure. This is as serious for us and places us and all other businesses in a difficult dilemma.

Again I stress this is a risk for the shareholders' funds and not for clients.

We report in Sterling, and manage our gold and FX positions so as to leave them essentially flat. But if we flatten our gold and foreign currency positions completely, then by definition our £22m of shareholders' funds are exposed to fluctuations in the purchasing power of Sterling.

A prolonged or dramatic fall in Sterling - which is still a material risk - would lose our shareholders a great deal of real value, but not generate reportable or tax losses. It would limit our ability to buy gold and expand our business and it would reduce our balance sheet worth expressed - for example - in dollars.

Given the level of deficits and the general unreliability of Sterling as a store of value we must consider diversifying our £22m in shareholders' funds to other assets - whether that be currency, or gold, or something else again. The board must exercise a difficult judgment here. However we choose to distribute our shareholders' funds across monetary assets we risk re-valuation losses. This risk is unavoidable unless we take the even bigger risk of putting all our eggs in the basket of Sterling.

### **Bank failure**

Lloyds TSB continues to rebuild itself, but it remains the case that its default would be very serious for Galmarley. There would be long delays before the company could reclaim anything.

Regarding the failure of Lloyds it is supposed to be the case that designated client accounts, such as those in which BullionVault users' money is kept, permit those clients to be individually protected by government backed deposit protection - up to the normal personal limits. Therefore BullionVault clients ought to remain protected to some extent in the event of a failure of Lloyds TSB. Nevertheless with a failure of Lloyds TSB it is unlikely that government protection applying on client funds would redeem client money either quickly, or completely, or with its original purchasing power. Additionally, the company's own funds would be materially above any deposit protection threshold.

As a result of this, and to improve the service on offer to American customers (who unsurprisingly dislike sending money to any European bank) we will this year move our US dollar banking services to our new US bankers - Wells Fargo. Thenceforward client \$s will stay in the United States, leaving £s and €s in London.



## **GALMARLEY LIMITED**

### **TRADING AS BULLIONVAULT.COM**

#### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012**

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##### **Market risk**

The company is exposed to movements in the gold price. It maintains an unhedged gold inventory of approximately 90kg which is allowed to float up and down by a maximum of 38kg before being corrected by a market trade. This is a larger position than in previous years.

We do not seek to hedge this balance entirely out of market risk. At current prices a maximum long of 128kg undergoing a two percent price fall in gold - which would be a sharp one day move - costs the company about £85,000 in inventory losses, which is easily absorbed by our financial strength. By the same token price rises produce similar inventory profits.

Neither the gold nor silver positions are considered a material risk.

##### **Liquidity risk**

The company only operates in bullion 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.

All larger customers have direct access to the London Bullion Market - the biggest bullion market in the world. During the coming year that access will be extended to all customers. In any marketplace nothing can guarantee a determined seller access to a willing buyer. However by providing direct dealing access to 40,000 customers in parallel with direct access to the London Bullion Market the risk of a failure of liquidity is in our opinion as low as it can reasonably be.

##### **Cash flow risk**

The company has no current material risk in terms of cash flow. The company has sufficient shareholders funds of £22.0m (2011: £19.1m) to meet all expenses at the current level for 5 years - even in the absence of any revenues.

The company's assets are almost entirely held in currency and bullion which are both highly liquid, so excepting supplier default 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 Directors believe 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 no specific known instances to which the business is materially exposed.

**GALMARLEY LIMITED**

**TRADING AS BULLIONVAULT.COM**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012**

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**Results and dividends**

The results for the year are set out on page 12

An interim dividend of £0 3025 per £1 ordinary share was paid during the year

The directors recommend payment of an ordinary dividend of £0 3175 per £1 ordinary share payable to holders of shares as at 31 January 2013

**Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of

**Reappointment of auditors**

The auditors Albert Goodman LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006

Approved by the Board on 25/11/13 and signed on its behalf by



P G Tustain  
Director

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT COM**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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The directors are responsible for preparing the Directors' Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 Act 2006. 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.

The directors are 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALMARLEY LIMITED**

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We have audited the financial statements of Galmarley Limited for the year ended 31 October 2012, set out on pages 12 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 9), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
GALMARLEY LIMITED**

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**Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements



Alison Kerr FCA (Senior Statutory Auditor)  
For and on behalf of Albert Goodman LLP, Statutory Auditor

Mary Street House  
Mary Street  
Taunton  
Somerset  
TA1 3NW

Date 29/1/13

**GALMARLEY LIMITED****TRADING AS BULLIONVAULT.COM****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2012**

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	<b>Note</b>	<b>2012 £ 000</b>	<b>2011 £ 000</b>
Turnover	2	380,284	558,740
Cost of sales		<u>(373,150)</u>	<u>(549,979)</u>
Gross profit		7,134	8,761
Administrative expenses		<u>(3,648)</u>	<u>(2,478)</u>
Operating profit	3	3,486	6,283
Other interest receivable and similar income	7	-	2
Interest payable and similar charges	8	<u>(354)</u>	<u>(429)</u>
Profit on ordinary activities before taxation		3,132	5,856
Tax on profit on ordinary activities	9	<u>(264)</u>	<u>(1,520)</u>
Profit for the financial year	17	<u><u>2,869</u></u>	<u><u>4,337</u></u>

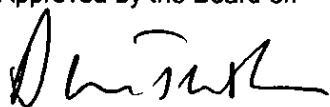
Turnover and operating profit derive wholly from continuing operations

The company has no recognised gains or losses for the year other than the results above

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**(REGISTRATION NUMBER: 04943684)**  
**BALANCE SHEET AT 31 OCTOBER 2012**

	Note	2012 £ 000	2011 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	10	<u>98</u>	<u>54</u>
<b>Current assets</b>			
Stocks	11	17,457	12,567
Debtors	12	15,128	10,219
Cash at bank and in hand		<u>15,177</u>	<u>19,455</u>
		47,762	42,241
Creditors Amounts falling due within one year	13	<u>(22,671)</u>	<u>(19,952)</u>
Net current assets		<u>25,091</u>	<u>22,289</u>
Total assets less current liabilities		25,190	22,343
Creditors Amounts falling due after more than one year	14	<u>(3,191)</u>	<u>(3,213)</u>
Net assets		<u>21,999</u>	<u>19,131</u>
<b>Capital and reserves</b>			
Called up share capital	15	361	351
Share premium account	17	8,369	8,272
Profit and loss account	17	<u>13,269</u>	<u>10,508</u>
Shareholders' funds	18	<u>21,999</u>	<u>19,131</u>

Approved by the Board on 25/1/13 and signed on its behalf by



P G Tustain  
Director

**GALMARLEY LIMITED****TRADING AS BULLIONVAULT.COM****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2012**

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**Reconciliation of operating profit to net cash flow from operating activities**

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
Operating profit	3,486	6,283
Depreciation, amortisation and impairment charges	47	39
Increase in stocks	(4,890)	(3,023)
Increase in debtors	(4,694)	(5,939)
Increase in creditors	4,313	6,150
Net cash (outflow)/inflow from operating activities	<u>(1,739)</u>	<u>3,509</u>

Although the cash flow statement is a statutory requirement, the increase in stock shown above is bullion, which is liquid and easily convertible to cash

**Cash flow statement**

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
Net cash (outflow)/inflow from operating activities	<u>(1,739)</u>	<u>3,509</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	-	2
Interest paid	<u>(354)</u>	<u>(429)</u>
	(354)	(427)
Taxation paid	(1,381)	(1,179)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(91)	(60)
Equity dividends paid	<u>(107)</u>	<u>(96)</u>
Net cash (outflow)/inflow before management of liquid resources and financing	<u>(3,672)</u>	<u>1,747</u>
<b>Financing</b>		
Value of new loans obtained during the period	-	2,474
Repayment of loans and borrowings	(712)	-
Issue of shares	106	44
	<u>(606)</u>	<u>2,517</u>
(Decrease)/increase in cash	<u>(4,278)</u>	<u>4,265</u>



**GALMARLEY LIMITED****TRADING AS BULLIONVAULT.COM****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2012**

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**Reconciliation of net cash flow to movement in net debt**

	<b>Note</b>	<b>2012 £ 000</b>	<b>2011 £ 000</b>
(Decrease)/increase in cash		(4,278)	4,265
Cash inflow from increase in loans		-	(2,474)
Cash outflow from repayment of loans		<u>712</u>	<u>-</u>
Change in net debt resulting from cash flows	20	<u>(3,565)</u>	<u>1,791</u>
 Movement in net debt	20	 (3,565)	 1,791
Net funds at 1 November	20	<u>7,661</u>	<u>5,870</u>
Net funds at 31 October	20	<u>4,096</u>	<u>7,661</u>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2012**

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**1 Accounting policies**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

**Turnover**

Turnover represents amounts receivable for the sale of bullion and related services as part of a composite supply of services to customers and includes interest earned on client accounts

**Depreciation**

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

<b>Asset class</b>	<b>Depreciation method and rate</b>
Fixtures, fittings and equipment	33 33% straight line
Short leasehold improvements	Straight line over the life of the lease

**Stock**

Stocks consist of gold and silver bullion held by the company, and are valued at the closing price 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 directors consider 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.

**Client accounts**

The company operates separately designated client accounts in each currency in which the company trades. Customers are only able to purchase bullion 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 beneficial entitlement is retained by the customers, these cash balances are not included in the balance sheet of the company.

**Deferred tax**

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.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2012**

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**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.

**Office premises leasing**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

**Financial instruments**

Debtors and creditors include amounts due for settlement under gold and silver contracts and spot foreign exchange 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.

**2 Turnover**

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

**3 Operating profit**

Operating profit is stated after charging

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
Operating leases - other assets	127	120
Depreciation of owned assets	47	39
Auditor's remuneration	<u>47</u>	<u>42</u>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2012**

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**4 Auditor's remuneration**

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
Audit of the financial statements	<u>38</u>	<u>35</u>
<b>Other fees to auditors</b>		
Tax services	5	3
Other services	<u>4</u>	<u>4</u>
	<u>9</u>	<u>7</u>
	<u>47</u>	<u>42</u>

**5 Particulars of employees**

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	<b>2012</b> <b>No.</b>	<b>2011</b> <b>No.</b>
Directors	4	4
Development and support staff	<u>36</u>	<u>22</u>
	<u>40</u>	<u>26</u>

The aggregate payroll costs were as follows

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
Wages and salaries	1,939	1,296
Social security costs	<u>223</u>	<u>111</u>
	<u>2,162</u>	<u>1,407</u>

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**6 Directors' remuneration**

The directors' remuneration for the year was as follows

	2012 £ 000	2011 £ 000
Remuneration	<u>77</u>	<u>74</u>

**7 Other interest receivable and similar income**

	2012 £ 000	2011 £ 000
Other interest receivable	<u>-</u>	<u>2</u>

**8 Interest payable and similar charges**

	2012 £ 000	2011 £ 000
Other interest payable	<u>354</u>	<u>429</u>
	<u>354</u>	<u>429</u>

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**9 Taxation**

**Tax on profit on ordinary activities**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current tax</b>		
Corporation tax charge	512	1,520
Adjustments in respect of previous years	(248)	-
UK Corporation tax	<u>264</u>	<u>1,520</u>

**Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.83% (2011 - 26.82%)

The differences are reconciled below

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit on ordinary activities before taxation	<u>3,132</u>	<u>5,856</u>
Corporation tax at standard rate	778	1,571
Capital allowances in excess of depreciation	-	(6)
Non deductible expenses	5	4
Prior period adjustments	(248)	-
Tax deduction arising from exercise of employee options	(270)	(49)
Total current tax	<u>264</u>	<u>1,520</u>

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**10 Tangible fixed assets**

	Short leasehold land and buildings £ 000	Fixtures and fittings £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 November 2011	36	113	149
Additions	37	54	91
At 31 October 2012	72	168	240
<b>Depreciation</b>			
At 1 November 2011	26	69	95
Charge for the year	20	26	47
At 31 October 2012	46	95	142
<b>Net book value</b>			
At 31 October 2012	26	72	98
At 31 October 2011	10	45	54

**11 Stocks**

	2012 £ 000	2011 £ 000
Gold bullion	14,134	8,606
Silver bullion	3,323	3,961
	17,457	12,567

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**12 Debtors**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Main market bullion settlements (within 48 hours)	13,445	7,201
Foreign exchange trade receivables (within 48 hours)	535	2,398
Other debtors	1,045	402
Prepayments and accrued income	102	219
	<u>15,128</u>	<u>10,219</u>

**13 Creditors: Amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade creditors	50	82
Main market bullion settlements	13,497	7,122
Foreign exchange trade payables	529	2,374
Other loans	7,890	8,581
Corporation tax	-	903
Other taxes and social security	62	113
Other creditors	5	-
Accruals and deferred income	636	777
	<u>22,671</u>	<u>19,952</u>

Other loans include £7,869,000 (2011 - £8,558,000) in respect of loans denominated in gold and £21,000 (2011 - £23,000) of loans denominated in silver. These loans are repayable in gold or silver bullion respectively and the liability has been valued at the relevant closing pm fix as determined by the London Bullion Market Association. Interest on this debt was payable at between 2.75% and 3.50% on the average closing sterling price of the relevant bullion until 31 May 2012. From 1 June 2012, the interest payable on this debt was reduced to 1.25%. Redemption of these loans can be made at any time by way of one month's 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 bullion owned by BullionVault customers.



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**14 Creditors. Amounts falling due after more than one year**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Other loans	<u>3,191</u>	<u>3,213</u>

The loans due in more than one year relate to loans denominated in gold bullion of £2,890,000 (2011 - £2,890,000) and silver bullion of £301,000 (2011 - £323,000)

The gold and silver loans have no final maturity date and can only be repaid with the agreement of the company. It is the intention that these are long term loans to the company. As with the gold and silver loans due in less than one year, the loans are repayable in gold and silver respectively and the liability has been valued at the relevant 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 and silver loan respectively based on the value of gold or silver at 31 March each year.

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**15 Share capital**

**Allotted, called up and fully paid shares**

	<b>2012</b>		<b>2011</b>	
	<b>No.</b>	<b>£</b>	<b>No</b>	<b>£</b>
Ordinary shares of £1 each	<u>360,877</u>	<u>360,877</u>	<u>350,663</u>	<u>350,663</u>

**New shares allotted**

During the year 10,214 ordinary shares having an aggregate nominal value of £10,214 were allotted for an aggregate consideration of £106,420

**16 Dividends**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Dividends paid</b>		
Current year interim dividend paid	<u>107</u>	<u>96</u>

**17 Reserves**

	<b>Share premium account £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 November 2011	8,272	10,508	18,780
Profit for the year	-	2,869	2,869
Dividends	-	(107)	(107)
Premium on issue of shares	<u>96</u>	<u>-</u>	<u>96</u>
At 31 October 2012	<u>8,369</u>	<u>13,269</u>	<u>21,638</u>

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**18 Reconciliation of movement in shareholders' funds**

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
Profit attributable to the members of the company	2,869	4,337
Dividends	(107)	(96)
New share capital subscribed	106	44
Net addition to shareholders' funds	2,868	4,284
Shareholders' funds at 1 November	19,131	14,846
Shareholders' funds at 31 October	<u>21,999</u>	<u>19,131</u>

**19 Commitments**

**Operating lease commitments**

As at 31 October 2012 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
<b>Land and buildings</b>		
Within one year	<u>109</u>	<u>90</u>

**20 Analysis of net debt**

	<b>At 1 November 2011 £ 000</b>	<b>Cash flow £ 000</b>	<b>At 31 October 2012 £ 000</b>
Cash at bank and in hand	19,455	(4,278)	15,177
Debt due within one year	(8,581)	690	(7,890)
Debt due after more than one year	(3,213)	22	(3,191)
Net funds	<u>7,661</u>	<u>(3,565)</u>	<u>4,096</u>

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**21 Related party transactions**

During the year the company entered into the following related party transactions

**Paul Tustain**

(Director)

Included within other creditors due in more than one year are loans of gold and silver lent to the company to support its trading activities. Interest is paid at 7% pa based on the valuation of the gold or silver at 31 March each year and interest of £144,000 (2011 - £167,000) has been charged to the profit and loss account. These loans have no final maturity date and can only be redeemed with agreement of the company. At the balance sheet date the amount due to Paul Tustain in respect of these gold and silver loans was £2,511,000 (2011 - £2,533,000)

**Paul Tustain's pension scheme**

(Pension scheme of a Director)

Included in creditors due in more than one year are loans to the company of gold. Interest is paid at 7% pa based on the valuation of gold at 31 March each year and interest of £20,000 (2011 - £22,000) has been charged to the profit and loss. This loan is provided by the pension scheme to the company on the same terms as the gold and silver loans from Paul Tustain. At the balance sheet date the amount due to Paul Tustain's pension scheme in respect of these gold and silver loans was £352,000 (2011 - £352,000)

During the year the company paid dividends totalling £45,400 (2011 - £41,273) to Paul Tustain

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**22 Share based payment**

During the year ended 31 October 2006, the company established a government approved share options scheme known as Company Share Options 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 at the date of grant of each share option granted, based on a Directors valuation taking into account the factors at the date of grant as required by FRS 20 Share Based payment, was £nil

	2012 Number of options	2012 Weighted average exercise price £	2011 Number of options	2011 Weighted average exercise price £
Outstanding at start of year	12,431	13 91	13,890	15 60
Granted	-	-	-	-
Exercised	10,214	10 42	1,459	30 00
Outstanding at end of year	2,217	30 00	12,431	13 91
Exercisable at end of year	856	30 00	8,800	10 00

The options granted on 29 July 2006 have an exercise price of £10, and as at the balance sheet date the remaining contractual life is 4 years. The options can be exercised in stages, and 10,000 options were exercised during the year. At the year end, all options had been exercised.

The options granted on 7 December 2007 have an exercise price of £30 and as at the balance sheet date have a remaining contractual life of 6 years. The options can be exercised in stages, and 214 options were exercised during the year. At the year end 856 options could be exercised, and the remaining stages allow for 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.