BullionVault

GALMARLEY LIMITED

TRADING AS BULLIONVAULT.COM

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
COMPANY REGISTRATION NUMBER: 04943684

FOR THE YEAR ENDED 31 OCTOBER 2013

GALMARLEY LIMITED

TRADING AS BULLIONVAULT.COM

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GALMARLEY LIMITED

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COMPANY INFORMATION

Directors	P G Tustain G Lockwood T Levene Dr M Quierin
Company secretary	J Nakarja
Registered office	12th Floor Landmark House Blacks Road London W6 9DP
Auditors	Albert Goodman LLP Mary Street House Mary Street Taunton Somerset TA1 3NW

The directors present their strategic report for the year ended 31 October 2013.

Business review

2013 results

In a depressed market for precious metals the company made slow headway in the year to 31 October 2013. At the year end BullionVault had 49,885 active users (2012: 42,768). In this, the eighth full year of trading bullion, sales amounted to £379m (2012 : £380m).

Agency purchases - where a client buys directly from another client on the BullionVault order board - were substantially lower, at £438m, (2012: £811m).

However these much lower figures did not seriously affect the pre-tax profit of the business, which was very nearly maintained at £3.39m (2012 : £3.49m). This maintenance of profits in spite of falling transaction volumes demands an explanation.

We made a modest pricing change at the start of the year, which tilted the environment away from what might be called 'active trading' - where commission rates rose from 0.02% to 0.05% - and in favour of the new customer, whose commission rates we brought down from 0.8% to 0.5%. This had the effect of replacing a large number of bullion sales to active traders with commission at 0.02% with a smaller number of sales earning commission at 0.5%, thereby lowering sales figures while significantly improving margins.

We also benefited from improved performance from bullion custody operations which incurred lower costs, and from significantly reduced marketing costs, where the saving was mainly in 'pay-per-click' style advertising which we cut back rapidly when it stopped delivering a positive return as investor interest in bullion waned. Nevertheless we continue to use this route to market because it is only through regular engagement with it that we become aware of the returns available in an improving market.

We have also seen strong growth in transactional volume from a single source. While this has had only modest impact on the amount of bullion we store it has nevertheless made a significant contribution to our overall trading commissions.

Search Engine performance remained excellent, and continues to be a key source of new customers. So does our army of enthusiastic referrers whose number exceeds 1,000.

User comments about us on independent sites remain strongly positive, which is a credit particularly to the quality of our personal style of customer service as well as to the exceptionally low prices at which we offer bullion and storage.

Our maintenance of that low pricing is possible because of the high level of automation of all routine transactions. We achieve this through continuing investment in systems via our substantial technical team which delivered improved services to our customers on target and throughout the year.

Gold
As has been widely commented on in the press gold had a very poor year, falling from approximately \$1,700 to \$1,300 per oz.

As at 31 Oct 2013 we were looking after 32.4 tonnes (2012 : 31.4 tonnes). This performance is better than the wider industry. Our tonnage of bullion in care increased, while the major ETFs have seen outflows of as much as 30%.

Silver
Silver prices also fell hard during the year, from \$31.2 per oz to \$21.4. By October 2013 we were storing 427 tonnes (2012 : 333 tonnes).

Headcount
During the year under review our staff headcount stabilised after several years of expansion. We are now 38 (2012 : 37).

USA
Miguel Perez-Santalla is managing the office of our US subsidiary company in New York (BullionVault Inc). This has been up and running since November 2012.

The IRS has proven constructive and progressive, and we are pleased with our new ability to arrange the sub-leasing of vault space so that IRA administrators/custodians can maintain their clients' IRA gold investments in the way they want.

Financial strength
The company again made a substantial transfer to its internal reserves. It retains net shareholders' funds of £24 million (2012 : £22m) which sum is held in immediately marketable bullion, or in cash held at call.

The net assets per £1 ordinary share continued to grow, to £67 (2012 : £61).

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.

This current year (starting 1 November) had a good first two months, but a weaker January.

The consensus view at the turn of the calendar year was profoundly anti-gold and anti-silver. That sentiment is justified when 2013 gold (-30%) is compared against, for example, equities (+14%), although, over the last decade as a whole the story is inverted, with gold +200% and equities up 40%. Our business going forward will reflect how gold performs.

2013 saw a very large transfer of gold from West to East. In the first half of the year substantial liquidations of [American] ETFs, together with other investment gold, supplied something like 1,200 tonnes of net outflow of investment gold from the major western countries. This caused some indigestion in otherwise enthusiastic Eastern markets.

China is now both the biggest producer of gold, and the biggest consumer.

India meanwhile (which mines relatively little gold, while traditionally being a big consumer) elected to address a balance of payments problem by levying punitive taxes on gold imports. This eliminated Indian import demand for gold in the early part of the year. Since then it is to be assumed that smugglers have found ways into the country, and now probably half the pre-levy quantity of imports is crossing the border unofficially.

As I write western marketplaces are quieter, and stocks in western investment schemes are more-or-less stable. Where we go from here will reflect how strongly the west re-emerges into growth. There remains a significant debt overhang, with the sovereign share still growing uncontrollably almost everywhere, though, it should be conceded, with miraculously few ill effects - so far.

Private indebtedness, meanwhile, has hardly reduced, and the message has got through to investors that assets will continue to rise while interest rates won't. It is very hard to envisage a productive, sustained, low inflation recovery under these circumstances, but we shall see.

On balance we still 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. Japan must now start returning to our attention too, because for the first time in many years - and while experimenting with some truly remarkable monetary policies - Japan has again become a net importer of gold.

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. Even in a very tough year BullionVault has performed comparatively well. We gained inventory, and maintained profitability almost at the previous year's level. We are still determined to continue doing what we have been doing for 10 years now, which means being easily found on-line, deserving the trust which people place in us, and offering the best deal.

Results and dividends
The results for the year are set out on page 15.

An interim dividend of £0.3175 per £1 ordinary share was paid during the year.

The directors recommend payment of an ordinary dividend of £0.3325 per £1 ordinary share payable to holders of shares as at 31 January 2014.

Future developments

In July we started to re-structure the company so as to better protect our clients and business partners for whom we fully intend our capital resources to offer protection.

Part of the operations of Galmarley will be undertaken by two wholly owned subsidiaries of Galmarley - BullionVault Limited and BullionVault Inc. This new group structure is designed to improve the protection for shareholders whilst in no way diminishing the protection for customers property, whether bullion or currency.

In this way BullionVault will continue to stand with all the resources of the organisation protecting all of the people who choose to do business with it, and it will become impractical for other parties to sue over a spurious claim for the purpose of extorting a settlement fee.

Approved by the Board on 18/3/14 and signed on its behalf by:

P G Tustain
Director

The directors present their report and the financial statements for the year ended 31 October 2013.

Directors of the company
The directors who held office during the year were as follows:

P G Tustain

G Lockwood

M Grubb (resigned 25 January 2013)

T Levene

Dr M Quierin (appointed 25 January 2013)

Principal activity
The principal activity of the company is 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, Singapore, Toronto and Zurich. This service is delivered through the BullionVault.com website, which is owned by the company.

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

Financial risk management and 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 released into the vault before being 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, Singapore, Toronto 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 three bullion dealing banks. All are members of the London Bullion Market Association. 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 £24.0m 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.

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.

Reporting currency risk
In view of the amounts of liquidity injected into the financial system since 2009 we regard it as a diminishing risk that we will see dramatic financial failures. There is, nevertheless, a 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 £24m 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 purchasing power, 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 £24m in shareholders' funds to other assets - whether that be currency, or gold, or something else again. The board must exercise a difficult judgment here. Howsoever 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 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. Nevertheless with a failure of Lloyds 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 intend this year to 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.

Market risk
The company is exposed to movements in the gold price. It maintains an unhedged gold inventory of approximately 40kg which is allowed to float up and down by a maximum of 24kg before being corrected by a market trade. This is a smaller position than in previous years.

We also keep approximately 30% (£8m) of our shareholders funds in US$.

We do not seek to hedge these balances entirely out of market risk. At current prices a maximum long of 64kg undergoing a two percent price fall in gold - which would be a sharp one day move - costs the company about £32,000 in inventory losses, which is easily absorbed by our financial strength. By the same token price rises produce similar inventory profits. The $ position produces rather more violent swings, with a 1% move in $/£ producing profit or loss of +/- £80,000

Neither the gold nor US$ positions, nor the smaller € or 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 customers now have direct access to the London Bullion Market - the biggest bullion market in the world. In any marketplace nothing can guarantee a determined seller access to a willing buyer. However by providing direct dealing access to 40,000 customers, and 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 £24.0m (2012 : £22m) 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.

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 ......12/3/2014...... and signed on its behalf by:

....

P G Tustain

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 jurisdiction.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALMARLEY LIMITED

We have audited the financial statements of Galmarley Limited for the year ended 31 October 2013, set out on pages 15 to 31. 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 12), 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 Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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

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 2013 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Albert Goodman

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: 27 March 2014

GALMARLEY LIMITED

TRADING AS BULLIONVAULT.COM
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2013

	Note	2013 £ 000	2012 £ 000
Turnover	2	378,949	380,284
Cost of sales		(372,179)	(373,150)
Gross profit		6,770	7,134
Administrative expenses		(3,740)	(3,648)
Operating profit	3	3,029	3,486
Other interest receivable and similar income	7	2	-
Interest payable and similar charges	8	(324)	(354)
Profit on ordinary activities before taxation		2,707	3,132
Tax on profit on ordinary activities	9	(546)	(264)
Profit for the financial year	18	2,162	2,869

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 2013

	Note	2013 £ 000	2012 £ 000
Fixed assets			
Tangible fixed assets	10	42	98
Current assets			
Stocks	12	17,651	17,457
Debtors	13	10,289	15,128
Cash at bank and in hand		14,920	15,177
		42,860	47,762
Creditors: Amounts falling due within one year	14	(16,414)	(22,671)
Net current assets		26,445	25,091
Total assets less current liabilities		26,488	25,190
Creditors: Amounts falling due after more than one year	15	(2,442)	(3,191)
Net assets		24,046	21,999
Capital and reserves			
Called up share capital	16	361	361
Share premium account	18	8,369	8,369
Profit and loss account	18	15,316	13,269
Shareholders' funds	19	24,046	21,999

Approved by the Board on 18/3/2014 and signed on its behalf by:

....
P G Tustain
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2013

Reconciliation of operating profit to net cash flow from operating activities

	2013 **£ 000**	**2012** **£ 000**
Operating profit	3,029	3,486
Depreciation, amortisation and impairment charges	65	47
Increase in stocks	(193)	(4,890)
Decrease/(increase) in debtors	4,849	(4,694)
(Decrease)/increase in creditors	(4,082)	4,313
Net cash inflow/(outflow) from operating activities	3,668	(1,739)

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

	2013 **£ 000**	**2012** **£ 000**
Net cash inflow/(outflow) from operating activities	3,668	(1,739)
Returns on investments and servicing of finance		
Interest received	2	-
Interest paid	(324)	(354)
	(322)	(354)
Taxation paid	(556)	(1,381)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(9)	(91)
Equity dividends paid	(115)	(107)
Net cash inflow/(outflow) before management of liquid resources and financing	2,666	(3,672)
Financing		
Repayment of loans and borrowings	(2,924)	(712)
Issue of shares	-	106
	(2,924)	(606)
Decrease in cash	(257)	(4,278)

Reconciliation of net cash flow to movement in net debt

	Note	2013 £ 000	2012 £ 000
Decrease in cash		(257)	(4,278)
Cash outflow from repayment of loans		2,924	712
Change in net debt resulting from cash flows	22	2,666	(3,565)
Movement in net debt	22	2,666	(3,565)
Net funds at 1 November	22	4,096	7,661
Net funds at 31 October	22	6,762	4,096

1 Accounting policies

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

Exemption from preparing group accounts
The financial statements present information about the company as an individual undertaking and not about its group. Group accounts are not prepared as the inclusion of the subsidiary is considered not material for the purpose of giving a true and fair view.

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:

Asset class	Depreciation method and rate
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 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 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.

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 the 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.

Share based payments
The company has entered into equity-settled share based payment transactions with its employees.
The fair value of the share options granted is recognised over the vesting period to reflect the value of the employee services received with a corresponding increase in equity.
Taking into account the inherent uncertainty in determining the fair value of options, where the fair value is considered not to be material, no amounts are recognised in the period.

Pensions
The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

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:

	2013 £ 000	2012 £ 000
Operating leases - other assets	127	127
Depreciation of owned assets	65	47
Auditor's remuneration	39	47

4 Auditor's remuneration

	2013 £ 000	2012 £ 000
Audit of the financial statements	30	38
Other fees to auditors		
Tax services	4	5
Other services	4	4
	9	9
	39	47

5 Particulars of employees

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

	2013 No.	2012 No.
Directors	4	4
Development and support staff	36	36
	40	40

The aggregate payroll costs were as follows:	2013 £ 000	2012 £ 000
Wages and salaries	1,945	1,931
Social security costs	222	223
Staff pensions	30	8
	2,197	2,162

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2013 £ 000	2012 £ 000
Remuneration	78	77

7 Other interest receivable and similar income

	2013 £ 000	2012 £ 000
Other interest receivable	2	-

8 Interest payable and similar charges

	2013 £ 000	2012 £ 000
Other interest payable	324	354
	324	354

9 Taxation

Tax on profit on ordinary activities

	2013 £ 000	2012 £ 000
Current tax		
Corporation tax charge	646	512
Adjustments in respect of previous years	(100)	(248)
UK Corporation tax	546	264

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.41% (2012 - 24.83%).

The differences are reconciled below:

	2013 £ 000	2012 £ 000
Profit on ordinary activities before taxation	2,707	3,132
Corporation tax at standard rate	634	778
Capital allowances in excess of depreciation	12	-
Non deductible expenses	-	5
Prior period adjustments	(100)	(248)
Tax deduction arising from exercise of employee options	-	(270)
Total current tax	546	264

10 Tangible fixed assets

	Short leasehold land and buildings £ 000	Fixtures and fittings £ 000	Total £ 000
Cost or valuation			
At 1 November 2012	72	168	240
Additions	-	9	9
At 31 October 2013	72	177	249
Depreciation			
At 1 November 2012	46	95	142
Charge for the year	26	39	65
At 31 October 2013	72	134	207
Net book value			
At 31 October 2013	-	42	42
At 31 October 2012	26	72	98

11 Investments held as fixed assets

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Bullionvault Inc.	Ordinary	100%	Business development

The profit for the financial period of Bullionvault Inc. was £nil and the aggregate amount of capital and reserves at the end of the period was £nil.

Bullionvault Inc. was incorporated in the USA.

12 Stocks

	2013 £ 000	2012 £ 000
Gold bullion	11,515	14,134
Silver bullion	6,135	3,323
	17,651	17,457

13 Debtors

	2013 £ 000	2012 £ 000
Main market bullion settlements (within 48 hours)	9,355	13,445
Foreign exchange trade receivables (within 48 hours)	306	535
Other debtors	478	1,045
Prepayments and accrued income	151	102
	10,289	15,128

14 Creditors: Amounts falling due within one year

	2013 £ 000	2012 £ 000
Trade creditors	75	50
Main market bullion settlements	9,429	13,497
Foreign exchange trade payables	296	529
Other loans	5,716	7,890
Other taxes and social security	61	62
Other creditors	24	5
Accruals and deferred income	814	636
	16,414	22,671

Other loans include £5,701,000 (2012 - £7,869,000) in respect of loans denominated in gold and £15,000 (2012 - £21,000) 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 1.25%. 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 bullion owned by BullionVault customers.

15 Creditors: Amounts falling due after more than one year

	2013 £ 000	2012 £ 000
Other loans	2,442	3,191

The loans due in more than one year relate to loans denominated in gold bullion of £2,237,000 (2012 - £2,890,000) and silver bullion of £205,000 (2012 - £301,000).

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.

16 Share capital

Allotted, called up and fully paid shares

	2013		2012	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	361	361	361	361

17 Dividends

	2013 £ 000	2012 £ 000
Dividends paid		
Current year interim dividend paid	115	107

18 Reserves

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2012	8,369	13,269	21,638
Profit for the year	-	2,162	2,162
Dividends	-	(115)	(115)
At 31 October 2013	8,369	15,316	23,685

19 Reconciliation of movement in shareholders' funds

	2013 £ 000	2012 £ 000
Profit attributable to the members of the company	2,162	2,869
Dividends	(115)	(107)
New share capital subscribed	-	106
Net addition to shareholders' funds	2,047	2,868
Shareholders' funds at 1 November	21,999	19,131
Shareholders' funds at 31 October	24,046	21,999

20 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £30,000 (2012 - £8,000).

Contributions totalling £nil (2012 - £nil) were payable to the scheme at the end of the year and are included in creditors.

21 Commitments

Operating lease commitments

As at 31 October 2013 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2013 £ 000	2012 £ 000
Land and buildings		
Within one year	148	143

22 Analysis of net debt

	At 1 November 2012 £ 000	Cash flow £ 000	At 31 October 2013 £ 000
Cash at bank and in hand	15,177	(257)	14,920
Debt due within one year	(7,890)	2,175	(5,716)
Debt due after more than one year	(3,191)	749	(2,442)
Net funds	4,096	2,666	6,762

23 Related party transactions

Other related party transactions

During the year the company made 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 £137,000 (2012 - £144,000) 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 was £1,930,000 (2012 - £2,532,000).

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 £19,000 (2012 - £20,000) 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 was £273,000 (2012 - £352,000).

During the year the company paid dividends totalling £47,652 (2012 - £45,400) to Paul Tustain.

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

24 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.

	2013 Number of options	2013 Weighted average exercise price £	2012 Number of options	2012 Weighted average exercise price £
Outstanding at start of year	2,217	30.00	12,431	13.91
Granted	-	-	-	-
Exercised	-	-	10,214	10.42
Outstanding at end of year	2,217	30.00	2,217	30.00
Exercisable at end of year	1,926	30.00	856	30.00

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 3 years. 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 5 years. The options can be exercised in stages, with no options exercised during the year. At the year end 1,926 options could be exercised, and the remaining stages allow for the final 291 options to be exercised from 31 December 2013. For these options, the last possible exercise date is 31 December 2017.

During the year ended 31 October 2013, the company established a government approved Enterprise Management Incentive (EMI) share option scheme.

The option scheme is described below:

Type of arrangement	EMI
Date of grant	1 May 2013
Number granted	9,316
Contractual life	10 years

The directors have considered the fair value at the date of grant of each share option granted as required by FRS 20 Share Based Payment. Taking into account the uncertainty of the various inputs to option pricing models for this and similar companies, the directors consider that the fair value of the share options granted would not lead to a material profit and loss charge being required in these accounts and accordingly no share based payment charge has been made.

	2013 Number of options	2013 Weighted average exercise price £
Outstanding at start of year	-	-
Granted	9,316	174.93
Forfeited	745	156.36
Exercised	-	-
Outstanding at end of year	8,571	176.54
Exercisable at end of year	2,215	170.52

The share options granted on 1 May 2013 have varying exercise prices and vesting periods.

Options over 5,963 share are exercisable at £156.36, options over 1,863 shares are exercisable at £192.78, and options over 745 shares are exercisable at £297.44.

At the balance sheet date, 2,215 options could be exercised with further options being able to be exercised at various dates until 1 May 2015.

BullionVault

Queen's Award for Enterprise

In April 2013, BullionVault received a Queen's Award for International Trade, the UK's most prestigious business award, adding to its 2009 award for Enterprise Innovation. Selected by government, commercial and business advisors, the Awards are conferred by the Queen in consultation with the British prime minister's office, and awarded for outstanding achievement in business.

The World Gold Council

Founded in 1987, the World Gold Council is owned by 22 of the world's largest gold mining companies, who between them are responsible for more than 60% of world gold-mining output. In June 2010, the WGC invested in Galmarley Ltd, the company which owns and trades as BullionVault.com, to develop the online physical gold investment market.

WORLD GOLD COUNCIL

Augmentum Capital

A technology investment fund whose main client is Rothschild Investment Trust – the stock-market listed, $2.4bn trust controlled by Jacob, Lord Rothschild – Augmentum joined the World Gold Council in buying a minority shareholding in Galmarley Ltd in June 2010:

Augmentum

Deloitte – Fast 50 Tech

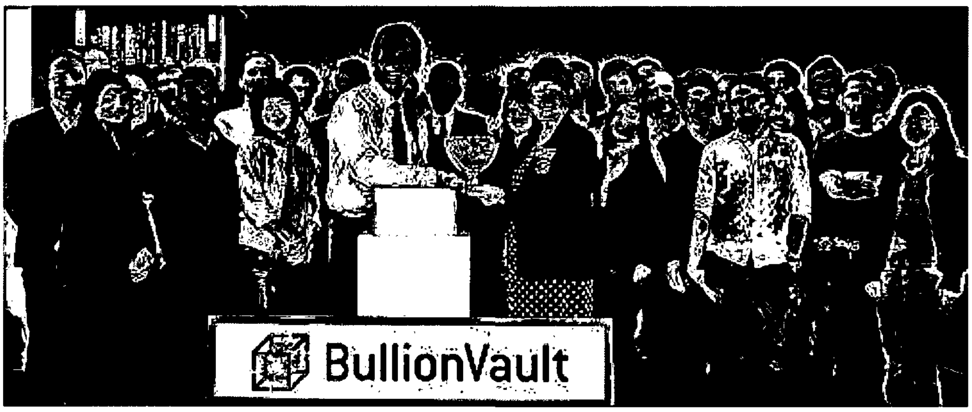
Global auditing and consultancy specialist Deloitte counted London-based BullionVault as the UK's 14th fastest-growing tech business in 2012. BullionVault's 5-year turnover growth of 1261% put it amongst the top 100 tech companies in Europe, the Middle East & Africa.

FAST TRACK 100

The London Bullion Market Association

On 1st September 2008 we were elected into the London Bullion Market Association which represents the largest of the world's physical bullion markets.

LBMA



Founder & CEO Paul Tustain receives BullionVault's second Queen's Award for Enterprise, presented by Sandy Cahill, Representative Deputy Lieutenant for the London Borough of Hammersmith & Fulham.