

Company Registration number: 04943684

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

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

Directors P G Tustain
G Lockwood
M Grubb
T Levene

Company secretary J Prytula

Registered office 12th Floor
Landmark House
Blacks Road
London
W6 9DP

Auditors 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

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).

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

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

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.

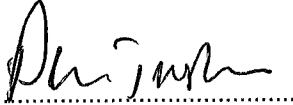
Disclosure of information to the auditors

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

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 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**

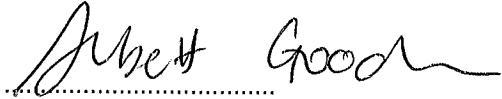
Opinion on the financial statements

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

| | Note | 2012 £ 000 | 2011 £ 000 |
|---|------|---------------------|---------------------|
| 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> |

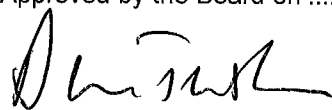
Turnover and operating profit derive wholly from continuing operations.

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 |
|---|------|----------------------|----------------------|
| Fixed assets | | | |
| Tangible fixed assets | 10 | <u>98</u> | <u>54</u> |
| Current assets | | | |
| 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><u>21,999</u></u> | <u><u>19,131</u></u> |
| Capital and reserves | | | |
| 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><u>21,999</u></u> | <u><u>19,131</u></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

Reconciliation of operating profit to net cash flow from operating activities

| | 2012 | 2011 |
|---|----------------|--------------|
| | £ 000 | £ 000 |
| 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

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

Reconciliation of net cash flow to movement in net debt

| | Note | 2012 £ 000 | 2011 £ 000 |
|--|-------------|-----------------------|-----------------------|
| (Decrease)/increase in cash | | (4,278) | 4,265 |
| Cash inflow from increase in loans | | - | (2,474) |
| Cash outflow from repayment of loans | | 712 | - |
| 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><u>4,096</u></u> | <u><u>7,661</u></u> |

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

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:

| 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.

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

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:

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

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

4 Auditor's remuneration

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

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

The aggregate payroll costs were as follows:

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

| | 2012 | 2011 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Current tax | | |
| 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:

| | 2012 | 2011 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| 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 |
|--------------------------|--|-----------------------------------|----------------|
| Cost or valuation | | | |
| At 1 November 2011 | 36 | 113 | 149 |
| Additions | 37 | 54 | 91 |
| At 31 October 2012 | <u>72</u> | <u>168</u> | <u>240</u> |
| Depreciation | | | |
| At 1 November 2011 | 26 | 69 | 95 |
| Charge for the year | 20 | 26 | 47 |
| At 31 October 2012 | <u>46</u> | <u>95</u> | <u>142</u> |
| Net book value | | | |
| At 31 October 2012 | <u>26</u> | <u>72</u> | <u>98</u> |
| At 31 October 2011 | <u>10</u> | <u>45</u> | <u>54</u> |

11 Stocks

| | 2012 £ 000 | 2011 £ 000 |
|----------------|---------------|---------------|
| Gold bullion | 14,134 | 8,606 |
| Silver bullion | 3,323 | 3,961 |
| | <u>17,457</u> | <u>12,567</u> |

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12 Debtors

| | 2012 | 2011 |
|--|---------------|---------------|
| | £ 000 | £ 000 |
| 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

| | 2012 | 2011 |
|---------------------------------|---------------|---------------|
| | £ 000 | £ 000 |
| 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 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.

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14 Creditors: Amounts falling due after more than one year

| | 2012 | 2011 |
|-------------|--------------|--------------|
| | £ 000 | £ 000 |
| 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

| | 2012 | | 2011 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | No. | £ | No. | £ |
| 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

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

17 Reserves

| | Share premium account | Profit and loss account | Total |
|----------------------------|-----------------------|-------------------------|---------------|
| | £ 000 | £ 000 | £ 000 |
| 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 | 96 | - | 96 |
| 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

| | 2012 | 2011 |
|---|----------------------|----------------------|
| | £ 000 | £ 000 |
| 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 | <u>2,868</u> | <u>4,284</u> |
| Shareholders' funds at 1 November | 19,131 | 14,846 |
| Shareholders' funds at 31 October | <u><u>21,999</u></u> | <u><u>19,131</u></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:

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

20 Analysis of net debt

| | At 1 | Cash flow | At 31 October |
|-----------------------------------|-----------------|------------------|----------------------|
| | November | £ 000 | 2012 |
| | 2011 | | £ 000 |
| | £ 000 | | |
| 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 | 2012 | 2011 | 2011 |
|------------------------------|-------------------|-----------------------------------|-------------------|-----------------------------------|
| | Number of options | Weighted average exercise price £ | Number of options | 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.

