

**GALMARLEY LIMITED**

TRADING AS BULLIONVAULT.COM

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
COMPANY REGISTRATION NUMBER: 04943684**

**FOR THE YEAR ENDED 31 OCTOBER 2014**



**Company Registration number: 04943684**

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2014**

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

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**Directors** P G Tustain  
G Lockwood  
T Levene  
Dr M Quierin

**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**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2014**

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The directors present their strategic report for the year ended 31 October 2014.

**Business review**

**2014 results**

In a continuing depressed market for precious metals the company made slow headway in the year to 31 October 2014. By the year end BullionVault has had 53,783 active users (2013: 49,885). In this, the ninth full year of trading bullion, sales amounted to £341m (2013: £379m).

Agency purchases - where a client buys directly from another client on the BullionVault order board - were lower, at £401m, (2013: £438m).

Profits before tax fell to £2.58m (2013: £2.71m).

We made significant cost savings in several areas of the business - particularly, marketing (-27%), financial (-34%), and our legal costs were largely eliminated from an exceptional and elevated 2013 level.

It was disappointing to see our custody revenues falling quite sharply, by 20%, reflecting falling bullion values. Nevertheless we did manage to grow the amounts of bullion in our vaults. Gold tonnage was up slightly (+2.3%) and silver a bit more (+12.5%). Both of these figures represent a significant outperformance against our peers and competitors, whose vaulted quantities dropped. Taking an aggregate figure across the major ETFs gold storage was -11.67% and silver -2.33%. So we outperformed our peers by 14% and 15% respectively for gold and silver.

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 quiet year, falling from approximately \$1,300 to \$1,150 per oz. This was a far less dramatic fall than last year (down from about \$1,700).

As at 31 Oct 2014 we were looking after 33.2 tonnes (2013: 32.4 tonnes).

**Silver**

Silver prices fell hard during the year, from \$21.40 per oz to \$15.40. By October 2014 we were storing 488 tonnes (2013: 427 tonnes).

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2014**

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**Headcount**

During the year under review our staff headcount fell slightly after several years of expansion. We are now 35 (2013: 38).

**Financial strength**

The company again made a substantial transfer to its reserves. It retains net shareholders' funds of £25.9 million (2013: £24.0m) 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 £72 (2013: £67).

**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. However this is starting to look like a seasonal pattern, as we now expect better than average months in November/December as well as in March and September. It is not likely to be a guide to annual profitability.

We remain at some risk from currency fluctuations. One of the ironies of having nearly £26m in shareholders' funds, some of which is invested in metals and other currencies, is that weak sterling makes us look very profitable, but means we must pay more in taxes, and a lot more for our gold.

There always seems to be some sort of global news-flow which merits comment. As I write Russia is in yet another crisis. It reminds us how thin the ice can be, and how quickly - in spite of soaring interest rates - a plunging currency can offer extraordinary protection to those who hold gold safely offshore.

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 14.

An interim dividend of £0.3325 per £1 ordinary share was paid during the year.

As there will be no imminent and organised liquidity event for shareholders, and because the company is sufficiently funded for all its operations, the directors recommend a 100% increase in the dividend. The company will pay a dividend of £0.665 per £1 ordinary share payable to holders of shares as at 31 January 2015.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2014**

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Approved by the Board on 23/1/2015 and signed on its behalf by:



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P G Tustain  
Director

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2014**

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The directors present their report and the financial statements for the year ended 31 October 2014.

**Directors of the company**

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

P G Tustain

G Lockwood

T Levene

Dr M Quierin

**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, Singapore, Toronto and Zurich. The company delivers its service through the BullionVault.com website.

**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.

**GALMARLEY LIMITED**

**TRADING AS BULLIONVAULT.COM**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2014**

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***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 £25.9m 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.

## **GALMARLEY LIMITED**

**TRADING AS BULLIONVAULT.COM**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2014**

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### **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 £25.9m 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 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 have this year moved our US dollar banking services to our new US bankers - Wells Fargo. Client \$s are now steadily aggregating in the US, leaving £s, €s and a reducing amount of \$'s in London.

**GALMARLEY LIMITED**

**TRADING AS BULLIONVAULT.COM**

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**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 up to about 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 all our other 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 liquid assets 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.

**GALMARLEY LIMITED**

**TRADING AS BULLIONVAULT.COM**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2014**

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**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 auditor**

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is 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 23/1/2015 and signed on its behalf by:



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P G Tustain  
Director

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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We have audited the financial statements of Galmarley Limited for the year ended 31 October 2014, set out on pages 14 to 30. 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 11), 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**

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**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2014 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 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: 27 January 2015

**GALMARLEY LIMITED****TRADING AS BULLIONVAULT.COM****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2014**

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	<b>Note</b>	<b>2014 £ 000</b>	<b>2013 £ 000</b>
Turnover	2	341,009	378,949
Cost of sales		<u>(334,928)</u>	<u>(372,179)</u>
Gross profit		6,081	6,770
Administrative expenses		<u>(3,299)</u>	<u>(3,740)</u>
Operating profit	3	2,782	3,029
Other interest receivable and similar income	7	3	2
Interest payable and similar charges	8	<u>(200)</u>	<u>(324)</u>
Profit on ordinary activities before taxation		2,584	2,707
Tax on profit on ordinary activities	9	<u>(581)</u>	<u>(546)</u>
Profit for the financial year	18	<u><u>2,003</u></u>	<u><u>2,162</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 2014**

	Note	2014 £ 000	2013 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	10	18	42
<b>Current assets</b>			
Stocks	12	17,526	17,651
Debtors	13	14,599	10,289
Cash at bank and in hand		15,645	14,920
		47,770	42,860
Creditors: Amounts falling due within one year	14	(19,722)	(16,414)
Net current assets		28,048	26,445
Total assets less current liabilities		28,066	26,488
Creditors: Amounts falling due after more than one year	15	(2,137)	(2,442)
Net assets		25,929	24,046
<b>Capital and reserves</b>			
Called up share capital	16	361	361
Share premium account	18	8,369	8,369
Profit and loss account	18	17,199	15,316
Shareholders' funds	19	25,929	24,046

Approved by the Board on 23/1/2015 and signed on its behalf by:

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P G Tustain  
Director

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2014**

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

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Operating profit	2,782	3,029
Depreciation, amortisation and impairment charges	32	65
Decrease/(increase) in stocks	124	(193)
(Increase)/decrease in debtors	(4,493)	4,849
Increase/(decrease) in creditors	3,953	(4,082)
Net cash inflow from operating activities	<u>2,399</u>	<u>3,668</u>

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

**Cash flow statement**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Net cash inflow from operating activities	<u>2,399</u>	<u>3,668</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	3	2
Interest paid	(200)	(324)
	(198)	(322)
Taxation paid	(399)	(556)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(7)	(9)
Equity dividends paid	(120)	(115)
Net cash inflow before management of liquid resources and financing	1,675	2,666
<b>Financing</b>		
Repayment of loans and borrowings	(951)	(2,924)
Increase/(decrease) in cash	<u>725</u>	<u>(257)</u>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2014**

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

	<b>Note</b>	<b>2014 £ 000</b>	<b>2013 £ 000</b>
Increase/(decrease) in cash		725	(257)
Cash outflow from repayment of loans		<u>951</u>	<u>2,924</u>
Change in net debt resulting from cash flows	22	<u>1,675</u>	<u>2,666</u>
Movement in net debt	22	1,675	2,666
Net funds at 1 November	22	<u>6,762</u>	<u>4,096</u>
Net funds at 31 October	22	<u><u>8,437</u></u>	<u><u>6,762</u></u>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2014**

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**1 Accounting policies**

**Basis of preparation**

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

**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 trading 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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Fixtures, fittings and equipment	33.33% straight line
Short leasehold improvements	Straight line over the life of the lease

**Stock**

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

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2014**

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**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.

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**3 Operating profit**

Operating profit is stated after charging:

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Operating leases - other assets	142	127
Depreciation of owned assets	32	65
Auditor's remuneration	36	39
	<u>36</u>	<u>39</u>

**4 Auditor's remuneration**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of the financial statements	31	30
<b>Other fees to auditors</b>		
Tax services	2	4
Other services	3	4
	<u>5</u>	<u>9</u>
	<u>36</u>	<u>39</u>

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**5 Particulars of employees**

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

	<b>2014 No.</b>	<b>2013 No.</b>
Directors	4	4
Development and support staff	36	36
	<u>40</u>	<u>40</u>

The aggregate payroll costs were as follows:

	<b>2014 £ 000</b>	<b>2013 £ 000</b>
Wages and salaries	2,092	1,945
Social security costs	216	222
Staff pensions	35	30
	<u>2,343</u>	<u>2,197</u>

**6 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2014 £ 000</b>	<b>2013 £ 000</b>
Remuneration	<u>81</u>	<u>78</u>

**7 Other interest receivable and similar income**

	<b>2014 £ 000</b>	<b>2013 £ 000</b>
Other interest receivable	<u>3</u>	<u>2</u>

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**8 Interest payable and similar charges**

	<b>2014</b> <b>£ 000</b>	<b>2013</b> <b>£ 000</b>
Other interest payable	200	324
	<u>200</u>	<u>324</u>

**9 Taxation**

**Tax on profit on ordinary activities**

	<b>2014</b> <b>£ 000</b>	<b>2013</b> <b>£ 000</b>
<b>Current tax</b>		
Corporation tax charge	581	646
Adjustments in respect of previous years	-	(100)
UK Corporation tax	<u>581</u>	<u>546</u>

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

Tax on profit on ordinary activities for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 21.83% (2013 - 23.41%).

The differences are reconciled below:

	<b>2014</b> <b>£ 000</b>	<b>2013</b> <b>£ 000</b>
Profit on ordinary activities before taxation	<u>2,584</u>	<u>2,707</u>
Corporation tax at standard rate	564	634
Capital allowances in excess of depreciation	4	12
Other differences	13	-
Prior period adjustments	-	(100)
Total current tax	<u>581</u>	<u>546</u>

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**10 Tangible fixed assets**

	Short leasehold land and buildings £ 000	Fixtures and fittings £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 November 2013	72	177	249
Additions	-	7	7
At 31 October 2014	<u>72</u>	<u>184</u>	<u>257</u>
<b>Depreciation</b>			
At 1 November 2013	72	134	207
Charge for the year	-	32	32
At 31 October 2014	<u>72</u>	<u>167</u>	<u>239</u>
<b>Net book value</b>			
At 31 October 2014	<u>-</u>	<u>18</u>	<u>18</u>
At 31 October 2013	<u>-</u>	<u>42</u>	<u>42</u>

**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
<b>Subsidiary undertakings</b>			
BullionVault Limited	Ordinary	100%	Dormant (active in 2014/15)
BullionVault Clients Limited	Ordinary	100%	Holding of client assets
BullionVault Inc.	Ordinary	100%	Business development

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

The profit for the financial period of BullionVault Clients Limited was £nil and the aggregate amount of capital and reserves at the end of the period was £nil.

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. is incorporated in the USA.

**12 Stocks**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Gold bullion	12,761	11,515
Silver bullion	4,765	6,135
	<u>17,526</u>	<u>17,651</u>

**13 Debtors**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Main market bullion settlements *	12,581	9,355
Foreign exchange trade receivables *	842	306
Other debtors *	1,061	478
Prepayments and accrued income	116	151
	<u>14,599</u>	<u>10,289</u>

\* Generally, these amounts are settled within 48 hours.

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

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade creditors	28	75
Main market bullion settlements *	12,373	9,429
Foreign exchange trade payables *	838	296
Other loans	5,070	5,716
Other taxes and social security	76	61
Other creditors *	767	24
Accruals and deferred income	569	814
	<u>19,722</u>	<u>16,414</u>

\* Generally, these amounts are settled within 48 hours.

Other loans include £5,059,000 (2013 - £5,701,000) in respect of loans denominated in gold and £11,000 (2013 - £15,000) 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 is 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**

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Other loans	<u>2,137</u>	<u>2,442</u>

The loans due in more than one year relate to loans denominated in gold bullion of £1,985,000 (2013 - £2,237,000) and silver bullion of £152,000 (2013 - £205,000).

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 loans respectively based on the value of gold or silver at 31 March each year.

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**16 Share capital**

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

	2014		2013	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>361</u>	<u>361</u>	<u>361</u>	<u>361</u>

**17 Dividends**

	2014 £ 000	2013 £ 000
<b>Dividends paid</b>		
Current year interim dividend paid	<u>120</u>	<u>115</u>

**18 Reserves**

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2013	8,369	15,316	23,685
Profit for the year	-	2,003	2,003
Dividends	-	(120)	(120)
At 31 October 2014	<u>8,369</u>	<u>17,199</u>	<u>25,568</u>

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

	2014 £ 000	2013 £ 000
Profit attributable to the members of the company	2,003	2,162
Dividends	(120)	(115)
Net addition to shareholders' funds	1,883	2,047
Shareholders' funds at 1 November	<u>24,046</u>	<u>21,999</u>
Shareholders' funds at 31 October	<u>25,929</u>	<u>24,046</u>

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**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 £35,000 (2013 - £30,000).

Contributions totalling £nil (2013 - £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 2014 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	<b>2014</b> <b>£ 000</b>	<b>2013</b> <b>£ 000</b>
<b>Land and buildings</b>		
Within one year	<u>143</u>	<u>148</u>

**22 Analysis of net debt**

	<b>At 1</b> <b>November</b> <b>2013</b> <b>£ 000</b>	<b>Cash flow</b> <b>£ 000</b>	<b>At 31 October</b> <b>2014</b> <b>£ 000</b>
Cash at bank and in hand	14,920	725	15,645
Debt due within one year	(5,716)	645	(5,070)
Debt due after more than one year	(2,442)	305	(2,137)
Net funds	<u>6,762</u>	<u>1,675</u>	<u>8,437</u>

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**23 Related party transactions**

**Other related party transactions**

During the year the company made the following related party transactions:

**Paul Tustain's pension scheme**

(Pension scheme of a Director)

Included in creditors due in more than one year is a loan 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 £16,000 (2013 - £19,000) has been charged to the profit and loss account. 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 £242,000 (2013 - £273,000).

**Paul Tustain**

(Director)

Included within other creditors due in more than one year are loans of gold and silver 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 £110,000 (2013 - £137,000) has been charged to the profit and loss account. These loans have no final maturity date and can only be redeemed with the agreement of the company. At the balance sheet date the amount due to Paul Tustain was £1,680,000 (2013 - £1,930,000).

During the year the company paid dividends totalling £49,903 (2013 - £47,652) 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.

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**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 schemes are 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.

	2014	2014	2013	2013
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at start of year	2,217	30.00	2,217	30.00
Granted	-	-	-	-
Exercised	-	-	-	-
Outstanding at end of year	2,217	30.00	2,217	30.00
Exercisable at end of year	2,217	30.00	1,926	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 2 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 4 years. The options can be exercised in stages, with no options exercised during the year. At the year end all 2,217 options could be exercised. For these options, the last possible exercise date is 31 December 2017.

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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.

	2014	2014	2013	2013
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at start of year	8,571	176.54	-	-
Granted	745	156.36	9,316	174.93
Forfeited	-	-	745	156.36
Exercised	-	-	-	-
Outstanding at end of year	9,316	174.93	8,571	176.54
Exercisable at end of year	4,802	169.42	2,215	170.52

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

Options over 6,708 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, 4,802 options could be exercised with further options being able to be exercised at various dates until 1 May 2018.

### 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.



### 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:



### 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.



### 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.



### 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.



### MoneyWeek – Best Gold Broker

MoneyWeek is the UK's best-selling financial magazine. In November 2014, readers voted BullionVault the best gold broker in the first ever MoneyWeek Awards.



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.