

**Company Registration No. 04943684 (England and Wales)**

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

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

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**Directors**

P Tustain  
T Levene (Appointed 17 June 2010)  
M Grubb (Appointed 17 June 2010)  
G Lockwood (Appointed 17 June 2010)

**Secretary**

K Suchak

**Company number**

04943684

**Registered office**

Brook House  
229-243 Shepherd's Bush Road  
London  
W6 7AN

**Auditors**

Albert Goodman LLP  
Mary Street House  
Mary Street  
Taunton  
Somerset  
TA1 3NW

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**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
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**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
CEO'S AND DIRECTORS' REPORTS  
FOR THE YEAR ENDED 31 OCTOBER 2010**

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**CEO'S REPORT**

**Deal with new investors**

A shareholders' deal occurred in June 2010. In this the World Gold Council and Augmentum I LP each acquired 11.45% of the company.

Some of the shares they acquired were newly issued, for which they each paid a total of £2.5m. This injected £5m into the company. However most of the shares they acquired came from existing shareholders. Broadly speaking there were about 50 private shareholders of Galmarley, and they had the opportunity to sell a small proportion of their shares sufficient to recoup their entire original investment. Most availed themselves of this opportunity and retained the significant majority of their original stakes.

As you will quickly calculate from this information £2.5m bought something less than 5.725% of the business. So much is in the public domain. I would happily disclose the further details, but of course there are about 50 other participants in the deal to consider, and they are entitled to a degree of privacy.

This deal was an important strategic move both for us and for our new investors. So who are they?

**The World Gold Council**

23 years ago the world's major gold mines set up the WGC. Its mandate is to promote the marketing of physical bullion. It is owned by 16 of the world's largest gold mines who between them are responsible for about 65% of world gold output. You can visit WGC's website at [www.gold.org](http://www.gold.org).

The reason WGC was set up was that there was a distinct lack of marketing effort by the industry in general - and for a simple reason. Because there is no difference between gold wherever it is mined, it turned out that marketing gold tended to benefit all gold producers at the exclusive cost of any one producer which might make the marketing effort. This meant that no miner would market gold on its own budget.

So they pooled their marketing budgets and assigned them to the jointly owned and funded World Gold Council, which could promote the consumption of real physical gold, for their common benefit. It has since been funded with a levy on its members, applied per ounce of gold they mine.

WGC has for many years been the main producer of gold analysis and market related data. It also designed the structure of the first gold ETFs, from which it accumulates a substantial income. It is a true global force in gold.

**Augmentum Capital (AC)**

Augmentum Capital was set up by Tim Levine and Richard Matthews with a specific investment agenda to invest in technology businesses like ours. It is backed by RIT Capital Partners plc (RIT), a FTSE listed investment trust with £2.0bn under management and in which Lord Rothschild and his family are substantial investors.

**Reasons for our deal**

There were several dynamics behind our deal. But the over-riding rationale was to co-operate with WGC in the development of new products and systems for distributing investment gold and broadening the base of its attractions to retail investors. There will be a number of initiatives in this regard which will become apparent over time.

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
CEO'S AND DIRECTORS' REPORTS (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2010**

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**Future Prospects**

Last year I commented on the extent to which, in resolving the 2008/9 financial crisis, our western governments were digging themselves ever deeper into debt.

Those policies bit hard on the Eurozone, while the US and UK continued printing money to resolve the problem. I still don't see a solution. I believe we will see US and UK governments make half-hearted attempts to wean themselves off Quantitative Easing over the coming quarters, and they will probably have some small successes in particularly benign periods.

But I still don't see a way of them being properly resolved, so debt (particularly the overhang of existing bonds, and the necessity to finance both redemptions and ongoing deficits) will continue to present a permanent threat to stability.

So I still think precious metals trading and storage is an excellent market sector to be servicing.

But there is an extent to which private customers - who are by far the biggest source of BullionVault's business - have, on the back of explosive price rises, become more wary of using gold and silver as an alternate. Understandably they fear the downside.

We still believe investing in bullion to be essential to our customers' future financial health. Partnering with the WGC in order to make that case, and providing more products and channels to broaden the depth of our market penetration, is what we shall be concentrating on in the immediate future.

P Tustain

**CEO**

30 March 2011

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
CEO'S AND DIRECTORS' REPORTS (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2010**

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**DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 October 2010.

**Principal activities and review of the business**

The principal activity of the company continued to be that of enabling its customers to buy and sell high integrity 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.

**Good 2010 results**

The company again made good progress in the year to 31 October 2010. At the year end BullionVault had 20,938 active users (2009:13,000). In this, the fifth full year of trading bullion, sales amounted to £304m (2009: £277m).

The business continues to change slowly and steadily into a user driven exchange. Agency purchases - where a client buys directly from another client on the BullionVault order board - grew to £381m (2009: £250m). As our business matures we will increasingly provide this exchange service for people to trade their own bullion, and act as an agent, which is important and beneficial to the company. This has 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 this is a slowing of sales growth but an increase in reported margin.

**Silver**

We chose a great year to start trading silver. Prices advanced rapidly through the reported year and have continued to do so since the year end. There is a marked level of customer excitement in the silver market, as would be expected in any major commodity which doubles in a year. By October 2010 we were storing 89 tonnes (2009 : zero).

**Headcount**

During the year under review our staff headcount increased from 15 to 17. The rate of headcount growth is planned to increase significantly during the current year (to October 2011). The increased headcount will be involved in the initiatives which are being implemented with the WGC.

**Financial Strength**

The company retains a strong ratio of shareholders' funds to administrative expenses of 8:1. This is 30 times stronger than the 3 month base capital requirement of typical regulated financial businesses.

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

As a result the company could pay back its modest loans as soon as asked, leaving a cash balance of well over £40 per £1 share.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**CEO'S AND DIRECTORS' REPORTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

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**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 has started well, with trading to the end of the 1st quarter of the year to October 2011 being ahead of the annualised profits rate in the previous year.

Early in the current trading year we went through the \$1bn (£622m) mark on gold. We also look after \$183m (£112m) in silver, and \$155m (£95m) in client money cash balances.

Over the current year and in co-operation with the World Gold Council we will be expanding our team and our product, and we expect this to impact our profits. However - as always - we look to the future with caution, and we don't expose the fundamental soundness of our business to expansion risks. The costs of expansion could be borne entirely by the profits we made in the first quarter.

We again look forward to the coming year with a high degree of confidence.

**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 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.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**CEO'S AND DIRECTORS' REPORTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

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2. Currency spot trades. The company buys some foreign currency sometimes from specialist Corporate FX providers for 24 hour or 48 hour settlement. It has accounts with three of these types of business and occasionally uses them where for whatever reason trading with our bank is not suitable. Increasingly, however, the company buys its FX direct from its own bankers where the risk of one sided settlement is eliminated.

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.

***Exposures 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.

These days size is clearly no protection from default, and 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. We now have accounts with four suppliers of bullion bars. We arrange our purchases to prevent too much being settled on one day with one counterparty.

This reduces the risk of a cataclysmic default.

We continue to favour suppliers which 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 offers us better protection than balance sheet size.

We regard it as still quite likely that we will see dramatic financial failures in both the short and medium term. A significant risk is sovereign exposure, and there is no guarantee that in future banks can be bailed out by governments approaching the limit of their creditworthiness.

**Bank failure**

Lloyds TSB is a materially safer bank than it was a year ago, 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 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 their 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.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**CEO'S AND DIRECTORS' REPORTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

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**Market risk**

The company is exposed to movements in the gold price. It maintains an unhedged gold inventory of approximately 50 kg which is allowed to float up and down by a maximum of 38kg before being corrected by a market trade.

It is not economic to hedge this small balance entirely out of market risk. At current prices a maximum long of 88kg undergoing a two percent price fall in gold - which would be a sharp one day move - costs the company about £50,000 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 the new silver position is 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.

**Cash flow risk**

The company has no current material risk in terms of cash flow. The company has sufficient shareholders funds (£14.8m) to meet all expenses at the current level for more than eight 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.

The £5m investment received in June 2010 further strengthened an already impressive financial robustness.

**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.

**Results and dividends**

The results for the year are set out on page 11.

An interim ordinary dividend of £0.25 per £1 ordinary share was paid during the year.

The directors recommend payment of an ordinary dividend of £0.275 per £1 ordinary share payable to holders of shares as at 31 January 2011.

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
CEO'S AND DIRECTORS' REPORTS (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2010**

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**Directors**

The following directors have held office since 1 November 2009:

P Tustain	
T Levene	(Appointed 17 June 2010)
M Grubb	(Appointed 17 June 2010)
G Lockwood	(Appointed 17 June 2010)

**Auditors**

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

**Statement of disclosure to auditors**

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

On behalf of the board

P Tustain

**Director**

30 March 2011

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 OCTOBER 2010**

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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 then 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

**GALMARLEY LIMITED  
TRADING AS BULLIONVAULT.COM  
INDEPENDENT AUDITORS' 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 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 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 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.

**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.

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

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**Opinion on 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 2010 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.

**Paul Hake FCCA (Senior Statutory Auditor)**  
**for and on behalf of Albert Goodman LLP**  
**Chartered Accountants**  
**Statutory Auditor**  
31 March 2011

Mary Street House  
Mary Street  
Taunton  
Somerset  
TA1 3NW

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

	Notes	2010 £	2009 £
Turnover	2	304,247,978	277,067,644
Cost of sales		(298,746,374)	(272,417,531)
<b>Gross profit</b>		5,501,604	4,650,113
Administrative expenses		(1,444,277)	(934,299)
<b>Operating profit</b>	3	4,057,327	3,715,814
Interest payable and similar charges	4	(364,753)	(267,413)
<b>Profit on ordinary activities before taxation</b>		3,692,574	3,448,401
Tax on profit on ordinary activities	5	(1,091,796)	(965,000)
<b>Profit for the year</b>	13	2,600,778	2,483,401

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

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



**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

	£	2010 £	£	2009 £
<b>Net cash inflow/(outflow) from operating activities</b>		1,973,457		(1,991,782)
<b>Returns on investments and servicing of finance</b>				
Interest paid	(364,753)		(267,413)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(364,753)		(267,413)
<b>Taxation</b>		(1,143,971)		(896,820)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(13,373)		(43,803)	
<b>Net cash outflow for capital expenditure</b>		(13,373)		(43,803)
<b>Equity dividends paid</b>		(77,807)		-
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		373,553		(3,199,818)
<b>Financing</b>				
Issue of ordinary share capital	5,059,767		-	
Other new long term loans	656,369		479,053	
Other new short term loans	2,237,874		3,948,858	
Repayment of other short term loans	(677,330)		-	
<b>Net cash inflow from financing</b>		7,276,680		4,427,911
<b>Increase in cash in the year</b>		7,650,233		1,228,093

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

<b>1 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Operating profit	4,057,327	3,715,814
Depreciation of tangible assets	23,189	10,019
Increase in stocks	(2,083,436)	(5,193,579)
(Increase)/decrease in debtors	(2,383,090)	2,137,520
Increase/(decrease) in creditors within one year	2,359,467	(2,661,556)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,973,457</b>	<b>(1,991,782)</b>

<b>2 Analysis of net funds</b>	<b>1 November 2009</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 October 2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net cash:				
Cash at bank and in hand	7,539,909	7,650,233	-	15,190,142
Bank deposits	-	-	-	-
Debt:				
Debts falling due within one year	(5,236,533)	(1,560,544)	-	(6,797,077)
Debts falling due after one year	(1,866,446)	(656,369)	-	(2,522,815)
	(7,102,979)	(2,216,913)	-	(9,319,892)
<b>Net funds</b>	<b>436,930</b>	<b>5,433,320</b>	<b>-</b>	<b>5,870,250</b>

<b>3 Reconciliation of net cash flow to movement in net funds</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Increase in cash in the year	7,650,233	1,228,093
Cash inflow from increase in debt	(2,216,913)	(4,427,911)
<b>Movement in net funds in the year</b>	<b>5,433,320</b>	<b>(3,199,818)</b>
Opening net funds	436,930	3,636,748
<b>Closing net funds</b>	<b>5,870,250</b>	<b>436,930</b>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

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**1 Accounting policies**

**1.1 Compliance with accounting standards**

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

**1.2 Turnover**

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

**1.3 Tangible fixed assets and depreciation**

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

Short leasehold improvements	Straight line over the life of the lease
Fixtures, fittings & equipment	33.33% Straight Line

**1.4 Stocks**

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 director considers the policy of valuing stocks at net realisable market value to be necessary to show a true and fair view and wholly consistent with the operation of the company's business. It is not possible to quantify the impact of departing from SSAP 9 as historic information regarding original cost has no application to the business and is therefore not available.

**1.5 Client accounts**

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

**1.6 Deferred taxation**

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

**1.7 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.

**1.8 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.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

**2 Turnover**

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

<b>3 Operating profit</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Depreciation of tangible assets	23,189	10,019
Operating lease rentals	34,632	30,900
Auditors' remuneration	16,000	16,850
Remuneration of auditors for non-audit work	10,353	5,661
	<u>          </u>	<u>          </u>

<b>4 Interest payable</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	47	1,081
On overdue tax	1,539	-
Other interest	363,167	266,332
	<u>          </u>	<u>          </u>
	<u>364,753</u>	<u>267,413</u>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

<b>5 Taxation</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Domestic current year tax</b>		
U.K. corporation tax	1,091,796	965,000
<b>Current tax charge</b>	<u>1,091,796</u>	<u>965,000</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>3,692,574</u>	<u>3,448,401</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	<u>1,033,921</u>	<u>965,552</u>
Effects of:		
Non deductible expenses	58,182	1,505
Depreciation add back	6,493	2,805
Capital allowances	(4,196)	(5,890)
Other tax adjustments	(2,604)	1,028
	<u>57,875</u>	<u>(552)</u>
<b>Current tax charge</b>	<u>1,091,796</u>	<u>965,000</u>
<b>6 Dividends</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Ordinary interim paid	<u>77,807</u>	<u>-</u>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

**7 Tangible fixed assets**

	Short leasehold improvements £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 1 November 2009	35,627	40,009	75,636
Additions	-	13,373	13,373
At 31 October 2010	35,627	53,382	89,009
<b>Depreciation</b>			
At 1 November 2009	1,977	30,416	32,393
Charge for the year	11,864	11,325	23,189
At 31 October 2010	13,841	41,741	55,582
<b>Net book value</b>			
At 31 October 2010	21,786	11,641	33,427
At 31 October 2009	33,650	9,593	43,243

**8 Stocks**

	2010 £	2009 £
Gold bullion	8,513,094	7,460,122
Silver bullion	1,030,464	-
	9,543,558	7,460,122

**9 Debtors**

	2010 £	2009 £
Main market billion settlements (within 48 hours)	3,082,711	1,259,049
Foreign exchange trade receivables (within 48 hours)	872,018	472,350
Other debtors	232,611	91,758
Prepayments and accrued income	92,566	25,273
	4,279,906	1,896,816

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

<b>10 Creditors: amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	6,009	153
Main market bullion settlements	3,066,569	1,270,569
Foreign exchange trade payables	878,708	453,556
Corporation tax	563,000	615,175
Other taxes and social security costs	390	-
Other creditors	6,797,077	5,236,533
Accruals and deferred income	366,240	234,171
	<u>11,677,993</u>	<u>7,810,157</u>

Other creditors include £6,780,770 (2009: £5,236,533) in respect of loans denominated in gold and £16,307 (2009:£nil) 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 between 2.75% and 3.50% on the average closing sterling price of the relevant bullion. 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.

<b>11 Creditors: amounts falling due after more than one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Other loans	<u>2,522,815</u>	<u>1,866,446</u>
<b>Analysis of loans</b>		
Not wholly repayable within five years other than by instalments:	2,522,815	1,866,446
Wholly repayable within five years	<u>6,797,077</u>	<u>5,236,533</u>
	9,319,892	7,102,979
Included in current liabilities	<u>(6,797,077)</u>	<u>(5,236,533)</u>
	<u>2,522,815</u>	<u>1,866,446</u>

The loans due in more than one year relate to cash loans of £nil (2009: £162,400) and loans denominated in gold bullion of £2,290,023 (2009: £1,704,046) and silver bullion of £232,792 (2009: £nil).

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. £2,263,218 (2009: £1,510,876) of the gold and silver loans are from P Tustain, Director or his pension scheme to the company and there is no impact on the segregation of the bullion owned by BullionVault customers.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

<b>12 Share capital</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
349,204 Ordinary Shares of £1 each	349,204	311,228

37,976 Ordinary Shares of £1 each were allotted during the year for £5,059,767.

**13 Statement of movements on reserves**

	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
Balance at 1 November 2009	3,208,297	3,743,962
Profit for the year	-	2,600,778
Premium on shares issued during the year	5,021,791	-
Dividends paid	-	(77,807)
Balance at 31 October 2010	8,230,088	6,266,933

<b>14 Reconciliation of movements in shareholders' funds</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	2,600,778	2,483,401
Dividends	(77,807)	-
Proceeds from issue of shares	5,059,767	-
Net addition to shareholders' funds	7,582,738	2,483,401
Opening shareholders' funds	7,263,487	4,780,086
Closing shareholders' funds	14,846,225	7,263,487

**15 Financial commitments**

At 31 October 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2011:

	<b>Land and buildings</b>	
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Between two and five years	55,627	55,627

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

<b>16</b>	<b>Directors' emoluments</b>	<b>2010</b>	<b>2009</b>
		£	£
	Emoluments for qualifying services	52,957	40,984
		<u>52,957</u>	<u>40,984</u>

**17 Employees**

**Number of employees**

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

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Directors	2	1
Development and support staff	15	12
	<u>17</u>	<u>13</u>

**Employment costs**

	<b>2010</b>	<b>2009</b>
	£	£
Wages and salaries	678,665	470,550
Social security costs	74,818	51,240
	<u>753,483</u>	<u>521,790</u>

**18 Control**

There is no ultimate controlling party.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

**19 Share based payment**

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

The option scheme is described below.

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

The estimated fair value of each share option granted at the date of grant, based on a Directors valuation taking into account the factors at the date of grant as required by FRS 20 Share Based payment is £nil.

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of year	19,890	£13.91	19,890	£13.91
Granted	-	-	-	-
Exercised	6,000	-	-	-
Outstanding at end of year	13,890	£15.60	19,890	£13.91
Exercisable at end of year	4,400	£10	6,000	£10

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 6 years. The options can be exercised in stages, and 6,000 options were exercised during the year. The remaining stages allow for 4,400 options to be exercised from 31 July 2010, a further 4,400 options to be exercised from 31 July 2011 and the final 1,200 options to be exercised from 31 July 2012. For these options, the last possible exercise date is 30 June 2016.

The options granted on 7 December 2007 have an exercise price of £30 and as at the balance sheet date have a remaining contractual life of 8 years. The options can be exercised in stages, with the earliest possible exercise of 1,459 options on 31 December 2010. The remaining stages allow for 1,070 options to be exercised from 31 December 2011, a further 1,070 to be exercised from 31 December 2012 and the final 291 options to be exercised from 31 December 2013. For these options, the last possible exercise date is 31 December 2017. Therefore, none of these options are capable of exercise at the balance sheet date.

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

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**20 Related party relationships and transactions**

Included within other creditors due in more than one year are amounts due to Paul Tustain, Director of £1,984,034 (2009: £1,303,131) in respect of gold and silver lent to the company to support its trading activities and £nil (2009: £162,400) in respect of a loan to the company. In respect of the gold and silver loans, interest is paid at 7% pa based on the valuation of the gold or silver at 31 March each year and interest of £132,257 (2009: £94,078) has been charged to the profit and loss account. Interest has also been paid at 7% on the other loan and interest of £1,619 (2009:£11,368) has been charged to the profit and loss account. The gold and silver loans have no final maturity date and can only be redeemed with the agreement of the company.

Also included in creditors due in more than one year are amounts due to Paul Tustain's pension scheme of £279,184 (2009:£207,745) in respect of gold lent to the company. Interest is paid at 7% pa based on the valuation of the gold at 31 March each year and interest of £19,080 (2009: £14,930) 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.

Included in other creditors due in less than one year are amounts due to Paul Tustain, Director of £16,308 (2009: £nil) in respect of silver lent to the company to support its trading activities. Interest is paid at 3% pa based on the average value of the silver lent to the company and calculated daily and interest of £1,062 (2009: £nil) has been charged to the profit and loss account.

Dividends of £45,000 were paid to Paul Tustain during the year.

**GALMARLEY LIMITED**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

	<b>2010</b>		<b>2009</b>	
	£	£	£	£
<b>Turnover</b>				
Bullionvault trading		300,564,289		274,426,962
Interest income		332,034		221,314
Commission and fee income		3,351,655		2,419,368
		<u>304,247,978</u>		<u>277,067,644</u>
 <b>Cost of sales</b>				
Cost of gold sold	298,463,193		272,236,144	
Vault and data charges	276,150		174,642	
Data feed charges	7,031		6,745	
		<u>(298,746,374)</u>		<u>(272,417,531)</u>
 <b>Gross profit</b>	1.81%	5,501,604	1.68%	4,650,113
 <b>Overhead expenses</b>				
Employment		754,589		522,516
Establishment		79,546		60,633
Administrative		475,675		246,556
Financial		476,031		361,988
Depreciation		23,189		10,019
		<u>(1,809,030)</u>		<u>(1,201,712)</u>
 <b>Operating profit</b>		3,692,574		3,448,401
 <b>Profit before taxation</b>	1.21%	<u>3,692,574</u>	1.24%	<u>3,448,401</u>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**SCHEDULE OF OVERHEAD EXPENSES**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Employment</b>		
Wages and salaries (excl. N.I.)	625,708	429,566
Directors' remuneration	52,957	40,984
Employer's N.I. contributions	74,818	51,240
Recruitment	1,106	726
	<hr/>	<hr/>
	754,589	522,516
	<hr/>	<hr/>
<b>Establishment</b>		
Rent re operating leases	34,632	30,900
Rates	16,202	10,412
Insurance	457	388
Repairs and maintenance	28,255	18,933
	<hr/>	<hr/>
	79,546	60,633
	<hr/>	<hr/>
<b>Administrative</b>		
Printing, postage and stationery	4,438	5,078
Advertising	143,255	138,607
Internet and telecom services	31,505	26,579
Computer running costs	9,196	4,521
Travelling expenses	3,253	2,890
Entertaining	3,377	1,909
Legal and professional fees	243,610	28,675
Accountancy	10,353	5,661
Audit fees	16,000	16,850
Sundry expenses	3,638	7,046
Subscriptions	7,050	8,740
	<hr/>	<hr/>
	475,675	246,556
	<hr/>	<hr/>
<b>Financial</b>		
Bank charges	111,278	94,575
Bank interest paid	47	1,081
Interest on overdue tax paid	1,539	-
Other interest paid	363,167	266,332
	<hr/>	<hr/>
	476,031	361,988
	<hr/>	<hr/>

**GALMARLEY LIMITED**  
**TRADING AS BULLIONVAULT.COM**  
**SCHEDULE OF OVERHEAD EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

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**Depreciation**

Amortisation on short leasehold	11,864	1,977
Depreciation on FF & E	11,325	8,042
	<hr/>	<hr/>
	23,189	10,019
	<hr/>	<hr/>