

**Avarae Global Coins plc**  
**Incorporated and registered in the Isle of Man**  
**Registration Number: 115498C**

**Audited Report and Accounts for the**  
**Year ended 31 March 2009**

AVARAE GLOBAL COINS PLC  
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

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## Company information

<b>Directors</b>	Brian Hatton Matthew Wood August Berting (appointed 14 August 2008) Tanya O'Carroll (appointed 13 July 2009) Neil Orders (resigned 30 June 2009) Robert Eijkelhof (resigned 14 August 2008)
<b>Company Secretary and Registered Office</b>	Tanya O'Carroll c/o Hillberry Trust Company Limited Ground Floor, West Suite Exchange House 54-58 Athol Street Douglas, Isle of Man, IM1 1JD
<b>Numismatic Advisory Panel</b>	The Rt Honourable Sir John Wheeler J.P. DL David Pinckney
<b>Nominated Advisor and Broker</b>	Collins Stewart Europe Limited 9 <sup>th</sup> Floor 88 Wood Street London EC2V 7QR
<b>Auditors</b>	Baker Tilly Isle of Man LLC PO Box 95, 2a Lord Street. Douglas Isle of Man IM99 1HP
<b>Advocates</b>	Dickinson Cruickshank 33 Athol Street Douglas Isle of Man 1MI 1LB
<b>Registrars</b>	Capita IRG (Offshore) Ltd Victoria Chambers Liberation Square 1-3 The Esplanade St Helier Jersey, JE2 3QA

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## **Directors' Report**

### **Introduction**

We are pleased to present the annual report for the year ended 31 March 2009 to our shareholders. The following pages show the financial position of the Company for the year ended 31 March 2009, together with some additional unaudited information since the year end. During the year under review, the Company continued to increase its portfolio of rare and high quality coins.

Avarae provides access for institutions and individuals wanting to diversify their investment portfolios away from the traditional asset classes such as equities, property and bonds without the need to be an expert in the coin-collecting sector. The Board's strategy, as set out in its AIM Admission Document, is to invest actively in the rare and highest quality segment of the coin-collecting sector in various countries around the world. The investing policy of the Company is set out in more detail below.

### **Financing**

Avarae is registered and incorporated in the Isle of Man. Since its incorporation, it has raised approximately £12.0 million to fund investments and purchases of rare and antique coins. For a publicly traded Company, Avarae maintains a low operational cost base of around 3 per cent. of net assets per annum, which includes the costs associated with all of the Company's numismatic advisers and ongoing plc costs.

### **Investing Policy**

The Company's investment policy is to invest in rare, high quality antique coins and coin collections from across the world. We are currently building up an impressive portfolio of extremely high quality, rare coins which we intend to hold both for the long-term (i.e. 3 to 5 years), in order to achieve long-term capital growth for our shareholders, and also the short-term, in order to take advantage of short-term trading opportunities, as the market for rare coins continues to grow. The value of each investment is expected to range from a few hundred pounds up to £750,000. The most expensive coin acquired by Avarae to date is the Edward III Double Florin which was acquired for £0.4 million.

The Board's decision on whether to acquire or dispose of an investment is made on the recommendation of its industry expert independent Advisory Panel ("Panel") that assesses and approves all coin trading related activities. The Panel members are Sir John Wheeler and David Pinckney. Neither member has any connection to Avarae or any of its numismatic advisers except as a member of the Panel. The Board is independent of the Panel, the Company's numismatic advisers and the Company's substantial Shareholders.

The Company's objective is to achieve long term capital growth through the appreciation in the value of the coins acquired. Compound annual returns achievable over the medium to long term for the highest quality and rarest coins are expected to be around 10 per cent., in line with historical averages. As at the date of this report, and since its formation in 2006, the Company has no borrowings and has no present intention of securing any borrowings.

### **The coin-dealing sector**

The market for trading coins is international in nature and significant in size. For a number of years now, there has been an increasing interest in the coin sector and its prominence as an alternative investment class is illustrated by continued increases in activity around the world, where record prices have been paid for certain rare pieces. The number of interested parties in coins and coin collections appears to be continuing to grow, with auction houses reporting significant growth in the numbers of interested bidders compared to the corresponding auctions in previous years.

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The coin market has proved to be extremely resilient over recent months in spite of the backdrop of tough global economic conditions. Important coin collections have frequently come up for sale worldwide (including in the world's largest market, the US) with auction houses achieving record prices, particularly for the highest quality, rare pieces.

Rare English, Islamic and Indian coins remain the strong sectors within the industry although record prices continue to be paid for rare high quality pieces from all over the world. Recent examples of the strong interest in the rare coin market include an 1804 Adams-Carter \$1 setting a record price for its class in May 2009, when it was sold for \$2.3 million (including buyer's premium). The same coin had previously sold for just over \$1.2 million (including buyer's premium) in 2003, therefore returning a compound annual growth rate during those six years of more than 11 per cent. Other examples of the high levels of interest in the sector include a Russian Elizabeth 20 Roubles of 1755, which sold for £1.82 million in November 2008, a world record for a non-US coin.

English coins fared well last year, with market commentators stating that on average, the value of top quoted grade of hammered English coins experienced double digit growth and extremely fine examples of early milled English coins also enjoyed gains. These statistics bode well for the future of the Company as its portfolio has a large concentration of rare and extremely high quality English coins.

Historically, if purchased correctly, investments in coins can not only reduce the risk of overall investment portfolios, but can also produce significantly better returns than investments in equities, bonds or property. Coins and coin collections of the highest quality can produce annual compound returns in excess of 10 per cent., if held for the medium to long term.

**Avarae's investments**

In the year to March 2009, the Company acquired almost £2.39 million worth of coins, taking the value of the coin portfolio as at 31 March 2009 to £9.64 million (2008: £7.72 million). As in previous years, the Company has focused on the purchase of extremely high quality English coins, but also this year we have focussed on increasing the Company's exposure to Islamic coins, through the outright purchase of certain coin and coin collections and also through acquiring a share in an important set of Islamic coins. A feature of last year was the concentration on building up collections of particular sectors of rare coins that our Advisory Panel believes will be of significant value in the years to come. Furthermore, a focus was also made on picking up extremely rare coins, where there are only a few examples known to exist worldwide. Examples of rare coins acquired during the year and since the year end include:

- Philip IV of Spain, 50 Reales, 1635-R: only 12 examples known of which 6 are in public collections. There is perhaps no finer emblems in silver of the Spanish main than this magnificent, huge coin;
- George III, Pattern Five Guinea 1770, by John Tanner: only three examples of the extremely rare 1770 Five Guinea have appeared on the market over the past 45 years;
- Charles II, Pattern Crown, 1663, the "Petition Crown": extremely fine with a superb pedigree and one of the most desirable British silver coins struck;
- Elizabeth 1 Ship Ryal; extremely fine showing queen with orb and sceptre; and
- Umayyad Dirham Al-Zawabi 79h; extremely fine and the only one recorded.

Avarae's current intention is to hold the vast majority of its current portfolio for the foreseeable future and only make disposals of coins or collections when the Board believes it to be in the best interests of the Company and its shareholders.

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**Financial Results**

During the year under review, the Company made a significantly higher number of disposals of coins from within the portfolio, than in previous years. Sales for the year ended 31 March 2009, totalled £906,000, an increase of more than seven-fold on the previous year's sales of £119,000. The Company achieved an average gross return (before year-end revaluation) of almost 15 per cent., in line with the prior year. As in prior years, a large proportion of the coins sold were examples of duplicates within the Company which had only been recently acquired as part of other collections, and also taking advantage of opportunistic sales, particularly of Middle Eastern coins. However, for the first time, the Company has now started to dispose examples of high quality coins which have been held for more than 2 years. In each case, the Company made double digit gross returns.

As at 31 March 2009, in line with the strategy outlined in our AIM admission document and in previous reports, the Company instructed industry experts to undertake a detailed revaluation of its coin portfolio. As has been documented, there are numerous examples of rare, high quality coins and collections being sold which result in an approximate 10 per cent. annual compound return and therefore the Directors believed that an annual revaluation of the coin portfolio is a necessity.

The Directors again took an extremely prudent approach to the revaluation exercise instructing experts in the various sectors in which the Company held coins. These experts considered the open market resale value of only those coins that had been held within the portfolio for more than 12 months, i.e. only those coins acquired and held by Avarae on or before 31 March 2008 and excluding those purchased during the financial year under review.

The result of the extensive revaluation exercise, carried out on items as described in the accounting policies, was that the overall carrying value of the portfolio as at 31 March 2009 has increased by £0.30 million to £9.64 million. The Directors consider this uplift in value to be particularly conservative and would expect coins from the portfolio to achieve appreciably higher returns if sold at auction, as has been proved by the sales and gross sales margins achieved to date. The effect of the 2008/9 revaluation exercise is that, as at 31 March 2009, the Company's coin portfolio comprised of coins purchased at cost for an aggregate £8.96 million and a revaluation amount of £0.68 million (net of VAT payable on sale).

The effect of the revaluation, together with the profits from the coin sales, resulted in the Company achieving an increased gross profit of £0.43 million for the year ended 31 March 2009 (2008: £0.42 million). Administrative expenses during the year were in line with the previous year at £0.38 million (2008: £0.35 million), and still represent approximately 3 per cent. of the Company's net assets (2008: 3.0 per cent.). Interest receivable of £0.14 million was materially lower than last year (2008: £0.22 million) and is directly attributable to the lower levels of cash balances held during the year and the lower levels of interest rates available for our cash deposits. Net profit for the year was £0.19 million (2008: £0.29 million).

The Company ended the year with approximately £1.9 million of net cash, down from £4.2 million at the end of March 2008. During the year, investments of £2.3 million (2008: £3.2 million) were made in coins and coin collections. As at the year end, the Company had net assets of £12.0 million (2008: £11.8 million) and no borrowings.

In line with our stated strategy as set out in our AIM Admission Document and as the Company remains in its investment phase, no dividend has been recommended in respect of the year ended 31 March 2009.

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**Purchases of own shares for cancellation**

In August 2008, the Directors, having been notified that a significant number of the Company's ordinary shares of 1 pence each ("Ordinary Shares") were for sale, and having canvassed the views of some of the Company's significant shareholders at the time, took the decision to make market purchases for cash of its own Ordinary Shares for cancellation. Accordingly, on 28 August 2008, the Company acquired 7.0 million Ordinary Shares at 7.0 pence each for a total of £0.49 million for cancellation ("August '08 Buyback"). The closing mid-market price per Ordinary Share at the time of the purchase was 9.0 pence.

Furthermore, following the collapse of certain Icelandic banks towards the end of 2008, the Company learnt that its then largest shareholder wanted to dispose of its holding of 24.09 million Ordinary Shares. The Directors, having consulted with a number of shareholders, took the decision to purchase some of those Ordinary Shares for cancellation. The Directors' reasoning being that, by purchasing Ordinary Shares for cancellation at a price less than the Company's net asset value per Ordinary Share (NAV), the effect will be to increase the NAV for all remaining shareholders. Accordingly, the Company convened an extraordinary general meeting of shareholders on 23 March 2009 ("EGM") and the Directors obtained authority at the EGM to make market purchases of up to 25 per cent. of the Company's issued share capital for cancellation.

Consequently, on 29 April 2009, the Company duly made market purchases of 15.0 million Ordinary Shares at 5.0 pence per Ordinary Share for cancellation for a total consideration of £0.75 million ("April '09 Buyback").

It has since transpired that, at the time of the August '08 Buyback and April '09 Buyback (together the "Buybacks"), the Company did not have, for such a company incorporated under the Isle of Man Companies Act 1931, the required levels of distributable reserves available to undertake the Buybacks. As a result, the Buybacks have not yet completed. The Company has subsequently received legal advice that the Company should register under the Isle of Man Companies Act 2006 (the "2006 Act") in order to, *inter alia*, complete the Buybacks.

Accordingly, at the 2009 annual general meeting of the Company ("AGM"), notice of which is expected to be sent to shareholders in due course ("Notice"), the directors will be seeking to, *inter alia*, re-register the Company as a company incorporated under the 2006 Act which will, subject to the agreement of the relevant selling shareholders, enable the Company to complete the Buybacks out of existing reserves, albeit at a later date than previously envisaged.

The re-registration to a 2006 Act company is, in the opinion of the directors, in the best interests of the Company and its shareholders. The Company was formed prior to the 2006 Act coming into force and the 2006 Act updates and modernises Isle of Man company law from the existing Isle of Man Companies Act 1931. By way of example, a 2006 Act company is able to reclassify its share premium account as distributable reserves thereby enabling the Company to return cash to shareholders more easily (either by additional share buybacks or dividends), should shareholders decide to do so. Further details of the changes to the Company's articles are set out in the Notice, which has today been sent to shareholders.

The unfortunate consequence of not having completed the Buybacks is that, in the accounts for the year ended 31 March 2009, the Company's balance sheet includes an amount owing to Company from the single August '08 Buyback shareholder being equal to the amount paid by the Company for the 7.0 million Ordinary Shares pursuant to the August '08 Buyback of £0.49 million ("Shareholder Debtor"). The April '09 Buyback was undertaken after the year end and is therefore not shown in the accounts for the year ended 31 March 2009. Furthermore, the Company intends to apply to the Isle of Man Courts in respect of the reinstatement of the, in aggregate, 22.0 million Ordinary Shares the subject of the Buybacks onto the Company's register of members and is expected to be applying to the London Stock

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Exchange for the re-admission of these Ordinary Shares to begin trading on AIM (“Admission”). A further announcement will be made in this regard in due course.

The effect on the Company of completing the Buybacks will be to reduce the number of Ordinary Shares in issue by 22,000,000 from 110,133,334 to 88,133,334 and removing the Shareholder Debtor. There is no effect on the Company’s cash balances of completing the Buybacks.

As at 31 March 2009, and therefore prior to the completion of the Buybacks, the Company’s audited net asset value per Ordinary Share (“NAV”) stood at 10.9 pence, up from 10.7 pence at the corresponding point last year. However, the Company’s pro-forma NAV as at 31 March 2009, assuming the resolutions are passed at the AGM and completion of the Buybacks, was 12.2 pence, an increase of almost 15 per cent. from 31 March 2008.

**Change of Director**

Neil Orders, an executive director of the Company left on 30 June 2009 to pursue other interests. We are grateful to Neil for his input into the Company and particularly for his assistance at the time of our admission to AIM. As previously announced, Neil was replaced by Tanya O’Carroll on 14 July 2009. Tanya is an experienced company director currently working for Hillberry Trust Company Limited, Avarae’s administrator in the Isle of Man. We look forward to gaining from her input over the coming months.

**Outlook**

The Directors consider that, in spite of the continued difficulties throughout the wider financial market, Avarae is well positioned as an alternative asset play in the current environment, as evidenced by it reporting an increase in sales and NAV for the year. The international nature of the coin market allows the Company to continue to take advantage of rising prices across a number of sectors and importantly take advantage of sectors which may be starting to show some short term weakness. It appears that lower value and more common coins are static or are experiencing declines in value, whereas values for the rarest and highest quality coins, the only type in which Avarae is interested, continue to rise, drawing strong international interest.

Since the year end, the Company has acquired coins for a value of approximately £0.23 million and has made disposals for a total of almost £0.1 million, returning a realised gain of approximately 20 per cent. The Company has a strong balance sheet, including a coin portfolio with a current carrying value, as reported on by independent experts, of more than £9.8 million. The Directors, therefore, remain cautiously optimistic about the Company’s future prospects.

Tanya O’Carroll,  
Brian Hatton,  
Matthew Wood  
Guus Berting  
29 September 2009

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**Incorporation**

These are the second financial statements of the Company, which was incorporated on 6 February 2006 and commenced operations on that date.

**Statement of Directors' responsibilities**

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Acts 1931-2004.

The directors are also required to prepare financial statements for the Company in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and the rules of the London Stock Exchange for companies trading securities on the AIM Market.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**Principal activity**

The principal activity of the Company is that of achieving capital growth for its Shareholders through the purchase, holding and sale of rare and antique coins.

**Results and Dividends**

The profit for the year ended 31 March 2009 of £190,000 (31 March 2008: £285,000) has been transferred to reserves.

The Directors do not recommend a dividend for the year ended 31 March 2009 (31 March 2008: £nil).

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**Directors' remuneration and interests**

The Directors of the Company who served during the year and since the year end were:

Brian Hatton	
Matthew Wood	
August Berting	(appointed 14 August 2008)
Tanya O'Carroll	(appointed 13 July 2009)
Neil Orders	(resigned 30 June 2009)
Robert Eijkelhof	(resigned 14 August 2008)

The remuneration of the Directors of the Company is set out in Notes 4 and 14 to the accounts.

None of the Directors held any shares in the Company during the year.

**Substantial shareholdings**

At 31 March 2009, the issued share capital of the Company was 110,133,334 ordinary shares of one pence each ("Ordinary Shares") and the following shareholders were believed by the Board to hold 3% or more of the Company's issued share capital on that date:

<i>Shareholder</i>	<i>% Holding</i>
Kaupthing Singer & Friedlander Limited ("KSF")	21.8
Equity Special Situations Limited	14.7
The Equity Partnership Investment Company Plc	13.9
Blackrock, Inc.	12.7
Jupiter Asset Management Limited	6.2
Allianz SE	4.3
Westminster Asset Management Limited	3.5

On 21 August 2009, the Company announced that it had agreed to make market purchases for cash of 7,000,000 Ordinary Shares from a single shareholder at a price of 7.0 pence each for an aggregate consideration of £0.49 million ("August '08 Buyback"). As detailed in the Directors' report, completion of the August '08 Buyback is conditional upon, *inter alia*, shareholders passing the resolution to be proposed at the upcoming annual general meeting to re-register the Company as a 2006 Act company and the approval of the relevant selling shareholder.

On 30 April 2009, the Company announced that it had agreed to make market purchases for cash of 15,000,000 Ordinary Shares from KSF for cancellation at a price of 5.0 pence each for an aggregate consideration of £0.75 million ("April '09 Buyback"). As detailed in the Directors' report, completion of the April '09 Buyback is conditional upon, *inter alia*, shareholders passing the resolution to be proposed at the upcoming annual general meeting to re-register the Company as a 2006 Act company and the approval of the relevant selling shareholder.

Assuming that both the August '08 Buyback and the April '09 Buyback complete after the AGM, the Company's issued share capital will be 88,133,334 Ordinary Shares.

**Corporate governance**

The Board is responsible for establishing the strategic direction of the Company, monitoring the Company's trading performance and approving the purchase and disposal of coins to and from its collection. The recommendations for such purchases and disposals are made by independent experts comprising the Numismatic Advisory Panel.

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Details of the Directors' beneficial interests in Ordinary Shares are set out in the Directors' Report. The Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings and will take all reasonable steps to ensure compliance by any employees of the Company to whom Rule 21 applies. The Company has, in addition, adopted the Share Dealing Code for dealings in its Ordinary Shares by Directors and senior employees.

The Directors recognise the importance of sound corporate governance. The Company intends to comply with the QCA Guidelines so far as is practicable and appropriate for a public company of its size and nature.

The Board comprises two executive directors based in the IOM, Brian Hatton and Tanya O'Carroll and two non-executive directors, Matthew Wood and August Berting. The non-executive directors comprise the audit and remuneration committees, and the whole Board comprises the Risk Management Committee ("RMC"). The RMC reviews the risks applicable to the business and the actions required to reduce those risks.

The terms of reference for the Audit Committee provide that it will receive and review reports from the Company's management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Company.

The terms of reference for the Remuneration Committee provide that it will review the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors will be set by the Board. No Director may participate in any meeting at which discussion or decision regarding his own remuneration takes place.

The major risk to the Company lies in the overall market pricing of its main asset – the portfolio of collectable coins. It is intended that this risk and attendant opportunity is passed straight to the Company's investors, who should hold its shares in a balanced portfolio of their own. During the year ended 31 March 2009, the Board did not accentuate this risk by any form of leveraged financing. The remaining risk to the Company comprises the need to maintain adequate liquidity to meet the Company's trading obligations and maximise opportunistic purchasing offers. The Board monitor this risk thorough its monthly financial reporting system.

The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a Nomination Committee.

#### **Relationship with Shareholders**

The Directors seek to build a mutual understanding of objectives between the Company and its Shareholders. The Company reports formally to Shareholders in its interim and annual reports setting out details of its activities. In addition, the Company keeps Shareholders informed of events and progress during the year through the issue of press releases.

The Annual Report is sent to Shareholders at least 23 clear days before the Annual General Meeting. Directors are required to attend Annual General Meetings of the Company unless unable to do so for personal reasons or due to pressing commercial commitments. Shareholders are given the opportunity to vote on each separate issue. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

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**Annual General Meeting**

The notice (“Notice”) of annual general meeting (“AGM”) will be sent to shareholders in due course..

**Statement as to disclosure of information to auditors**

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of us has confirmed that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that this information has been communicated to the auditors.

**Auditors**

A resolution to re-appoint Baker Tilly Isle of Man LLC as auditors, in accordance with Section 12(2) Isle of Man Companies Act 1982, will be proposed at the Annual General Meeting of the Company notice of which will be circulated to the shareholders in due course.

APPROVED BY THE BOARD OF DIRECTORS  
29 September 2009

**Tanya O’Carroll**

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**AUDITORS' REPORT**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVARAE GLOBAL  
COINS PLC**

We have audited the financial statements of Avarae Global Coins plc for the year ended 31 March 2009, which comprise the Balance Sheet, the Profit and Loss Account, and Statement of Cash Flows, and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This Report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. 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. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this Report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1931-2004. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' fees and transactions with the Company is not disclosed.

We have read the Directors' Report and have considered its implications for our report in particular in relation to any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information other than the Director's Report and information reviewed as part of our audit.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OPINION**

In our opinion

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 March 2009 and of its profit for the year ended 31 March 2009, and

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- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' report is consistent with the financial statements.

**EMPHASIS OF MATTER – COIN PORTFOLIO**

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the valuation of the coin portfolio. The valuation in the Company's balance sheet is based on cost as modified by an upward revaluation of £0.3 million (2008: £0.4 million) applied to coins acquired prior to 01 April 2008 . The Directors believe this a reasonable estimate of market value at the year end. Realisation of this value is entirely dependent on market conditions which may vary substantially over time. Our opinion is not qualified in this respect.

**EMPHASIS OF MATTER – PURCHASE OF OWN SHARES FOR CANCELLATION**

We draw your attention to disclosures in notes 9 and 12 to the financial statements and the Directors' Report regarding the purchase by the company of its own shares for cancellation. Our opinion is not qualified in this respect.

**Baker Tilley Isle of Man LLC**  
*Chartered Accountants & Registered Auditors*  
2a Lord Street.  
Douglas  
Isle of Man  
IM99 1HP  
29 September 2009

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**RESULTS FOR THE YEAR ENDED 31 MARCH 2009**  
**Profit and Loss Account**

	<i>Note</i>	Year ended <i>31-Mar-09</i> £'000	Year ended <i>31-Mar-08</i> £'000
<b>Revenue</b>			
Sales	1	906	119
Cost of Sales		(775)	(103)
Coin revaluation	8	300	406
Gross profit		431	422
Administrative expenses		(381)	(353)
<b>Profit on ordinary activities before:</b>		50	69
Finance income	5	140	216
Finance expenses	5	-	-
<b>Profit on ordinary activities before tax</b>		190	285
Tax on profit on ordinary activities	6	-	-
<b>Profit on ordinary activities after taxation</b>		190	285
<b>Earnings per share (basic and diluted)</b>	7	0.17p	0.31p

There were no recognised gains or losses other than the profit for the year.

The notes numbered 1 to 17 form part of these financial statements.

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**Balance sheet**

		<i>As at</i> <i>31-Mar-09</i>	<i>As at</i> <i>31-Mar-08</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>
<b>Assets</b>			
<b>Current Assets</b>			
Coin inventory	8	9,638	7,724
Trade and other receivables	9	543	74
Cash at bank		1,898	4,221
		<hr/>	<hr/>
<b>Total assets</b>		<b>12,079</b>	<b>12,019</b>
		<hr/>	<hr/>
<b>Liabilities and equity</b>			
<b>Creditors:</b> amounts falling due within one year	10	113	243
		<hr/>	<hr/>
<b>Total Liabilities</b>		<b>113</b>	<b>243</b>
		<hr/>	<hr/>
<b>Equity</b>			
Called up equity share capital	12	1,101	1,101
Share premium		10,460	10,460
Profit and loss account		405	215
		<hr/>	<hr/>
<b>Total Equity Shareholders' Funds</b>		<b>11,966</b>	<b>11,776</b>
		<hr/>	<hr/>
<b>Total Liabilities and equity</b>		<b>12,079</b>	<b>12,019</b>
		<hr/>	<hr/>

*These financial statements were approved by the board of directors on 29 September 2009 and were signed on their behalf by: Matthew Wood and Tanya O'Carroll*

The notes numbered 1 to 17 form part of these financial statements.

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**Cash Flow Statement**

	Note	<i>Year ended 31-Mar-09 £'000</i>	<i>Year ended 31-Mar-08 £'000</i>
<b>Cash flows from operating activities:</b>			
Profit for the year		50	69
Adjustments for:			
(Decrease) in payables		(130)	(51)
(Increase)/decrease in receivables		(469)	12
(Increase) in inventory		(1,914)	(3,657)
<b>Net cash flow from operations</b>		<u>(2,463)</u>	<u>(3,627)</u>
Interest received		<u>140</u>	<u>216</u>
<b>Net cash used in investing activities</b>		<u>140</u>	<u>216</u>
Proceeds from the issue of shares		<u>-</u>	<u>5,615</u>
<b>Net cash from financing activities</b>		<u>-</u>	<u>5,615</u>
<b>Net increase in cash and cash equivalents</b>		<u>(2,323)</u>	<u>2,204</u>
Opening cash position	13	<u>4,221</u>	<u>2,017</u>
<b>Cash and cash equivalents at 31 March</b>	13	<u>1,898</u>	<u>4,221</u>

The notes numbered 1 to 17 form part of these financial statements.

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**Statement of changes in equity**

<b>Company</b>	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At incorporation on 6 February 2006	-	-	-	-
Issue of shares (net)	621	5,325	-	5,946
Loss for the period	-	-	(70)	(70)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	621	5,325	(70)	5,876
Issue of shares (net)	480	5,135	-	5,615
Profit for the year	-	-	285	285
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	1,101	10,460	215	11,776
Profit for year	-	-	190	190
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	1,101	10,460	405	11,966

These financial statements were approved by the board of directors on 29 September 2009 and were signed on their behalf by: **Matthew Wood and Tanya O'Carroll**

The notes numbered 1 to 17 form part of these financial statements.

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**Notes to the financial statements:**

**(1) Accounting policies**

*Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS). This is the second year that the Company has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with previous accounting standards. The functional currency is £-Sterling. The following relevant standards have been applied:

IFRS 1 - First time adoption of International Financial Reporting Standards  
IFRS 7 - Financial Instruments – Disclosures  
IAS 1 - Presentation of Financial Statements  
IAS 2 - Inventories  
IAS 7 - Cash Flow Statements  
IAS 8 - Accounting Policies, Changes in Accounting Estimates, Errors  
IAS 10 - Events after Balance Sheet Date  
IAS 12 - Income Taxes  
IAS 14 - Segment Reporting  
IAS 18 - Revenue  
IAS 21 - The Effects of Changes in Foreign Exchange Rates  
IAS 24 - Related Party Disclosures  
IAS 32 - Financial Instruments - Presentation  
IAS 33 - Earnings per share  
IAS 39 - Financial Instruments – Recognition and Measurement

*New standards, amendments to published standards and interpretations to existing standards effective in 2007 adopted by the Company*

IFRS 7, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements - capital disclosures. IFRS 7 introduces new requirements aimed at expanding the disclosure of information about the Company's financial instruments. It requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Company has applied IFRS 7 and the amendment to IAS 1 in these financial statements, with the relevant disclosures included under "Financial risk management".

The IASB also issued various interpretations that are effective for this accounting period. None of these interpretations were effective for the Company and had no impact on the financial statements.

*Standards, amendments and interpretations to published standards not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later accounting periods and which have not been adopted early. No interpretations were relevant to the Company. The relevant standards are:

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<b>International Accounting Standards (“IAS”/“IFRS”)</b>	<b>Effective date</b>
IFRS 8 Operating segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised)	1 January 2009
IAS 32 Financial Instruments: Presentation (revised)	1 January 2009
IAS 39 Financial Instruments: Recognition and Measurement (revised)	1 January 2009

**(2) Segmental information**

The Company has one class of business, that of the sale of antiquarian and collectable coins. All sales have been through dealers based in the single geographic segment of the United Kingdom. Accordingly no further segmental information is presented.

**(3) Profit for the period**

The profit for the period is after charging the following:

	<i>Year ended</i>	<i>Year ended</i>
	<i>31-Mar-09</i>	<i>31-Mar-08</i>
	<i>£'000</i>	<i>£'000</i>
Auditors remuneration – Audit and interim review	6	6
Less: Overprovision in prior year	<u>(5)</u>	<u>(-)</u>
	1	-
Auditors remuneration – Fundraising in August 2007	-	3
Numismatic advisers – Noble Investments (UK) plc	155	140

**(4) Staff costs**

The Company had no employees during the year, and paid Directors fees as follows:

	<i>Year ended</i>	<i>Year ended</i>
	<i>31-Mar-09</i>	<i>31-Mar-08</i>
	<i>£</i>	<i>£</i>
	<i>£'000</i>	<i>£'000</i>
Guus Berting	6	-
Robert Eijkelhof	6	12
Matthew Wood	12	22

The other Directors provided their services under contracts as detailed in the Related Party Transactions (note 14).

The Company provides no pension scheme, and the Directors are considered to be the key management.

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**(5) Finance revenue**

The finance revenue consists of bank deposit interest received. There were no finance costs in the year.

**(6) Taxation**

The Company is resident for tax purposes in the Isle of Man.

The Company is chargeable to Isle of Man corporate income tax at the standard rate of 0%, which took effect from 6 April 2006.

	<i>Year ended</i>	<i>Year ended</i>
	<i>31-Mar-09</i>	<i>31-Mar-08</i>
	<i>£'000</i>	<i>£'000</i>
Profit before tax	190	285
	<hr/>	<hr/>
Isle of Man tax at 0%	-	-
	<hr/>	<hr/>
Tax expense for the year	nil	nil
	<hr/>	<hr/>

**(7) Earnings per share**

The earnings per share (basic and diluted) for the year ended 31 March 2009 was 0.17p (2008: 0.31p). The calculation of earnings per share is based on the profit of £190,000 (2008: profit £285,000) for the year and the weighted average number of shares in issue being 110,133,334 (2008: 93,168,950).

**(8) Coin inventory**

At the year end, only those coins that had been acquired by the Company before 31 March 2008, were revalued by industry experts to their expected current market value less the VAT payable on sale as opposed to being carried at the lower of cost and net realisable value, as required by International Accounting Standard 2 'Inventories'. Inventory purchased during the year ended 31 March 2009 has been carried at cost. This is considered by the directors to give a fair value for the inventory. Inventory of £9,638,000 (2008: £7,724,000) is carried as 'Inventory carried at fair value less costs to sell'. The purchase cost of inventory held at 31 March 2009 was £8,964,000 (2008: £7,318,000)

**(9) Trade and other receivables**

	<i>As at</i>	<i>As at</i>
	<i>31-Mar-09</i>	<i>31-Mar-08</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	31	13
Prepaid expenses	22	61
Other debtors	490	-
	<hr/>	<hr/>
Total	543	74
	<hr/>	<hr/>

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Other debtors of £0.49 million represents the amount which, subject, *inter alia*, to the approval by shareholders of the resolution to be proposed at the upcoming annual general meeting relating to the re-registration (“Re-registration”) of the Company to a company incorporated under the Isle of Man Companies Act 2006 (“2006 Act”), remains due from the shareholder that agreed to sell 7.0 million Ordinary Shares to the Company for cancellation, as announced by the Company on 21 August 2008. Following Re-registration, the Company will complete the purchase of 7.0 million Ordinary Shares for a consideration of £0.49 million. The resultant effect will be to reduce other debtors by £0.49 million and reduce the number of Ordinary Shares in issue by 7.0 million. For further information see note 12 to these financial statements.

The re-purchase of Ordinary Shares is subject to buy-back agreements with the relevant shareholders which have not been completed at the date of signing these accounts. In the opinion of the Directors, the debt due of £0.49 million at the balance sheet date in relation to the above is recoverable in full.

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**(10) Payables**

	<i>As at</i>	<i>As at</i>
	<i>31-Mar-09</i>	<i>31-Mar-08</i>
	<i>£'000</i>	<i>£'000</i>
Trade creditors	40	171
Accrued expenses	73	72
	113	243

All creditors are due within one year.

**(11) Financial instruments and risk**

An explanation of the Company’s financial instrument risk management objectives, policies and strategies are set out in note 1.

*Interest rate risk*

The company’s exposure to interest rate risk is limited to its interest income on bank balances in the company’s functional currency of sterling. Non-current account balances receive interest at floating rates.

*Liquidity risk*

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company’s approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient cash to meet the next three years operating costs.

*Credit risk*

Credit risk is the risk of financial loss to the company if a customer or counterparty fails to meet its contractual obligations and is primarily attributable to its trade receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

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	Carrying amount 2009 £'000	Carrying amount 2008 £'000
Trade and other receivables	543	74
Cash at bank	1,898	4,221

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

**(12) Share capital and premium**

	<i>As at</i> 31-Mar-09 £'000	<i>As at</i> 31-Mar-08 £'000
<b>Authorised</b>		
Ordinary shares of £0.01 each	2,000	2,000
<b>Allotted, called up and fully paid</b>		
110,133,334 ordinary shares of £0.01 each (2008: 110,133,334)	1,101	1,101

On 21 August 2008, the Company announced that it had agreed to make market purchases for cash of 7,000,000 Ordinary Shares from a single shareholder at a price of 7.0 pence each for an aggregate consideration of £0.49 million (“August ’08 Buyback”). As detailed in the Directors’ report, the August ’08 Buyback is conditional upon, *inter alia*, shareholders passing the resolution to be proposed at the upcoming annual general meeting to re-register the Company as a 2006 Act company. See note 9 to these financial statements.

On 30 April 2009, the Company announced that it had agreed to make market purchases for cash of 15,000,000 Ordinary Shares from KSF for cancellation at a price of 5.0 pence each for an aggregate consideration of £0.75 million (“April ’09 Buyback”). As detailed in the Directors’ report, the April ’09 Buyback is conditional upon, *inter alia*, shareholders passing the resolution to be proposed at the upcoming annual general meeting to re-register the Company as a 2006 Act company.

Assuming that both the August ’08 Buyback and the April ’09 Buyback complete after the 2009 AGM, the Company’s issued share capital will be reduced to 88,133,334 Ordinary Shares. In the intervening period between the completion of the above market purchases and re-registration of the Company as a 2006 Act company, the Company intends to apply to the Isle of Man Courts in respect of the re-instatement of the, in aggregate, 22.0 million Ordinary Shares onto the register. This re-instatement is also subject to the re-admission of the shares to trading on AIM.

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**(13) Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

	<i>As at</i>	<i>As at</i>
	<i>31-Mar-09</i>	<i>31-Mar-08</i>
	<i>£'000</i>	<i>£'000</i>
Cash on hand and balances with banks	1,898	4,221
Short-term investments	-	-
	<hr/>	<hr/>
Cash and cash equivalents as previously reported	1,898	4,221
Effect of exchange rate changes	-	-
	<hr/>	<hr/>
Cash and cash equivalents as restated	1,898	4,221
	<hr/>	<hr/>

**(14) Related party transactions**

During the year ended 31 March 2009, Brian Hatton and Neil Orders were directors of Hillberry Trust Company Limited (Hillberry). Administration fees of £16,031 (2008: £27,442) were paid to Hillberry during the year, of which, £5,000 was in respect of the annual responsibility fee, which covers the provision of resident statutory services. As at 31 March 2009, £1,425 (2008: £1,660) was owing to Hillberry.

Matthew Wood is a director of Combined Management Services Limited (CMS). Fees for financial services of £43,026 (2008: £30,411) were paid to CMS during the period. As at 31 March 2009, £nil (2008: £nil) was owing to CMS.

Although not formally disclosable related party issues, the Directors believe that the following information is of use to members of the Company. During the year ended 31 March 2009, stock purchases of £2,349,145 (2008: £3,353,761) have been made through AH Baldwin & Sons Limited (“Baldwin”), a subsidiary company of Noble Investments (UK) plc (“Noble”). In addition, during the year ended 31 March 2009, stock sales (net of VAT) of £875,021 (2008: £119,184) were made through Baldwin. Avarae entered into an agreement with Noble on 21 April 2006 under which Avarae pays fees to Noble for, amongst other things, services related to sourcing suitable coin purchases and coin buyers for Avarae; these fees include a performance-based element. As at 30 April 2009, the Company was notified by Noble that Noble had an interest in 6,290,000 Ordinary Shares.. All purchases and sales made by Avarae, including those made through Noble and its subsidiaries, are independently assessed and approved by the Company’s Advisory Panel (“Panel”). The members of the Advisory Panel are Sir John Wheeler and David Pinckney. Neither member has any connection with Avarae or Noble except as a member of this Panel.

**(15) Commitments under operating leases**

At 31 March 2009, the Company had no commitments under operating leases (2008: £nil).

**(16) Capital commitments**

At 31 March 2009, the Company had no capital commitments included in trade creditors (2008: £nil).

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**(17) Post balance sheet events**

Other than as set out in note 12, in relation to the Company's market purchases of Ordinary Shares for cancellation, there were no further post balance sheet events that the Directors believed needed disclosure.