



News Release

30 September 2009

## AVARAE GLOBAL COINS PLC

### FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

Avarae Global Coins plc (“Avarae” or the “Company”), the UK’s only publicly traded specialist investment company dedicated to investing in rare and high quality coins, is pleased to announce its final audited results for the year ended 31 March 2009.

#### Highlights for the year:

- Carrying value of portfolio of rare and high quality coins increased by more than £1.9 million to £9.6 million at 31 March 2009 (2008: £7.7 million);
- Coin sales up 7 fold to £0.9 million for the year ended 31 March 2009 (2008: £0.1 million);
- Gross margins achieved during the year of almost 15% (2008: 13%);
- Pro-forma NAV per share\* up 15% to 12.2p at the year end (2008: 10.7p);
- Important Islamic and English coins and coin collections, amongst others, added to the portfolio during the year and since the year end;
- Worldwide prices for the top quoted grade coins continue to show growth, with record prices being paid for the rarest pieces;
- Net cash of £1.9 million at year end (2008: £4.2 million); and
- Net profit for the year of £0.19 million (2008: £0.29 million).

\* Assuming completion of the two share-buybacks announced in August 2008 and April 2009 for a total of 22.0 million shares, completion of which is conditional upon, *inter alia*, passing certain resolutions at the 2009 AGM, notice of which will be sent to shareholders in due course. Further details are set out in this announcement. The pro-forma NAV is based on 110,133,334 shares as at 31 March 2008 and 88,133,334 shares as at 31 March 2009.

Commenting on the results, Tanya O’Carroll, Executive Director of Avarae, said:

*“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 £9.6 million. The Directors, therefore, remain cautiously optimistic about the Company’s future prospects.”*

The Company's audited report and accounts have today been posted to shareholders, and notice of the AGM will be posted to shareholders in due course. An electronic copy of the audited report and accounts will also shortly be available on the Company's website: [www.avarae.com](http://www.avarae.com).

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**AVARAE GLOBAL COINS PLC**  
**AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2009**

**Directors' Report**

**Introduction**

We are pleased to present the final audited results for Avarae Global Coins plc (“Avarae” or “the Company”) for the year ended 31 March 2009 to our shareholders. The following reports show the financial position of the Company for the year ended 31 March 2009, together with some additional 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.

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.

### **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 and the buyback of company shares. 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.

#### **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 re-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 will be posted to shareholders in due course.

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 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.

APPROVED BY THE BOARD OF DIRECTORS  
30 September 2009

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

		Year ended 31-Mar-09	Year ended 31-Mar-08
	<i>Note</i>	£'000	£'000
<b>Revenue</b>			
Sales	1	906	119
Cost of Sales		(775)	(103)
Coin revaluation	6	300	406
Gross profit		431	422
Administrative expenses		(381)	(353)
<b>Profit on ordinary activities before:</b>		50	69
Finance income	3	140	216
Finance expenses	3	-	-
<b>Profit on ordinary activities before tax</b>		190	285
Tax on profit on ordinary activities	4	-	-
<b>Profit on ordinary activities after taxation</b>		190	285
<b>Earnings per share (basic and diluted)</b>	5	0.17p	0.31p

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

**Balance sheet**

		<i>As at</i> <i>31-Mar-09</i> £'000	<i>As at</i> <i>31-Mar-08</i> £'000
	<i>Note</i>		
<b>Assets</b>			
<b>Current Assets</b>			
Coin inventory	6	9,638	7,724
Trade and other receivables	7	543	74
Cash at bank		1,898	4,221
<b>Total assets</b>		<b>12,079</b>	<b>12,019</b>
<b>Liabilities and equity</b>			
<b>Creditors:</b> amounts falling due within one year	8	113	243
<b>Total Liabilities</b>		<b>113</b>	<b>243</b>
<b>Equity</b>			
Called up equity share capital	10	1,101	1,101
Share premium		10,460	10,460
Profit and loss account		405	215
<b>Total Equity Shareholders' Funds</b>		<b>11,966</b>	<b>11,776</b>
<b>Total Liabilities and equity</b>		<b>12,079</b>	<b>12,019</b>

## Cash Flow Statement

	Note	<i>Year ended</i> <i>31-Mar-09</i> <i>£'000</i>	<i>Year ended</i> <i>31-Mar-08</i> <i>£'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>		<b>(2,463)</b>	<b>(3,627)</b>
Interest received		140	216
<b>Net cash used in investing activities</b>		<b>140</b>	<b>216</b>
Proceeds from the issue of shares		-	5,615
<b>Net cash from financing activities</b>		<b>-</b>	<b>5,615</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,323)</b>	<b>2,204</b>
Opening cash position	11	4,221	2,017
<b>Cash and cash equivalents at 31 March</b>	11	<b>1,898</b>	<b>4,221</b>

**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)
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
At 31 March 2008	1,101	10,460	215	11,776
Profit for year	-	-	190	190
At 31 March 2009	1,101	10,460	405	11,966

## 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:

<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) Finance revenue

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

## (4) 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>31-Mar-09</i>	<i>Year ended</i> <i>31-Mar-08</i>
	<i>£'000</i>	<i>£'000</i>
Profit before tax	190	285
Isle of Man tax at 0%	-	-
Tax expense for the year	nil	nil

## (5) 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).

## (6) 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)

## (7) Trade and other receivables

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

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 10 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 these results. 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.

#### **(8) Payables**

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

All creditors are due within one year.

#### **(9) 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:

	<b>Carrying amount 2009</b> <b>£'000</b>	<b>Carrying amount 2008</b> <b>£'000</b>
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.

**(10) Share capital and premium**

	<i>As at</i> <i>31-Mar-09</i> <i>£'000</i>	<i>As at</i> <i>31-Mar-08</i> <i>£'000</i>
<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 7 to these preliminary results.

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, to 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 Ordinary Shares to trading on AIM.

**(11) 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>31-Mar-09</i> <i>£'000</i>	<i>As at</i> <i>31-Mar-08</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
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