

Avarae Global Coins plc

Incorporated and registered in the Isle of Man
Registration Number: 4526V

Audited Report and Accounts for the Year ended 31 March 2016



AVARAE GLOBAL COINS PLC
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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AVARAE GLOBAL COINS PLC
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Company information

| | |
|-------------------------------------|---|
| Directors | Nigel Gautrey(Appointed 8 Jan 2016) Diane Clarke (Resigned 8 Jan 2016) Matthew Wood August Berting (Resigned 23 Sep 2015) Clement Chambers Kay Cregeen (Alternate) (Resigned 14 Aug 2015) Chris Shimmin (Alternate) (Resigned 8 Jan 2016) |
| Registered Office | Ground Floor West Suite Exchange House 54-58 Athol Street Douglas Isle of Man IM1 1JD |
| Numismatic Advisory Panel | The Rt Honourable Sir John Wheeler J.P. DL Clement Chambers |
| Nominated Advisor and Broker | WH Ireland Limited 24 Martin Lane London EC4R 0DR |
| Auditors | Baker Tilly Isle of Man LLC PO Box 95 2a Lord Street Douglas Isle of Man IM99 1HP |
| Advocates | Appleby 33 Athol Street Douglas Isle of Man IM1 1LB |
| Registrars | Neville Registrars Limited 18 Laurel Lane Halesowen B63 3DA |

Directors' Report

Introduction

We are pleased to present the annual report for the year ended 31 March 2016. During the year under review, the Company continued to manage its portfolio of rare and high quality coins.

Avarae Global Coins plc ("Avarae" or the "Company") provides access for institutional investors 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 principal objective of the Company, which has not changed since its admission to AIM ("Admission") in 2006, is to achieve capital growth for its shareholders through the purchase, holding and sale of the rarest and highest quality segment of the coin-collecting sector in various countries around the world.

Investing policy

Since Admission, we have built 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 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 ranges from a few hundred pounds up to several hundreds of thousands of pounds.

The Board's decision on whether to acquire or dispose of a coin or coin collection 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 Clement Chambers, both of whom have significant expertise in the field of numismatics.

A principal objective of the Company is to achieve long-term capital growth through the appreciation in value of the coins acquired. Compound annual returns achieved over the medium to long-term for the highest quality and rarest coins can reach as high as 10 per cent. 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 at least the last 10 years, there has been a steady increase in interest in the coin sector, however the last 12 months has witnessed a slight cooling in this interest across the industry. Interest at the very top end of the market appears to be stable, whereas mid-lower value coins have not been achieving the higher values of prior years.

The numismatic industry continues to witness an influx of new buyers looking for tangible assets and fresh areas to place their money as traditional asset classes, such as commodities and currencies, fail to deliver robust financial gains and exhibit high volatility. The majority of the funds coming into the numismatic market however are targeting the higher quality coin rarities and this is adding considerable pressure on availability which has, in some cases, priced Avarae out of the market.

Directors' Report (continued)

Avarae's investments

Purchases

In the year to 31 March 2016, the Company acquired an additional thirteen coins for an aggregate £0.58 million (2015: £0.32 million) which, together with the year-end revaluation exercise, resulted in a value of the coin portfolio as at 31 March 2016 of £11.20 million (2015: £11.14 million). In line with its investment strategy, the Company has focused on the purchase of only the highest quality and rarest coins. In particular, during the year, the Company increased its exposure to British coins.

Examples of coins acquired during the year include:

- An extremely rare Edward IV, Gold Ryal struck at the Norwich mint;
- One of the finest known Charles II, Five Guinea pieces;
- A mint state James I, gold Spur Ryal; and
- A mint state US Continental Dollar dated 1776 struck in pewter.

Sales

During the year, the Company also continued its efforts to rebalance its portfolio, liquidating a significant number of the lower value items and less high quality duplicates previously acquired as part of important collections. During the year, the Company sold almost 200 coins to end the period under review with a little over 800 coins. As flagged in last year's report, it should be noted that the both quantum of gross profit and the gross profit margin achieved on the sale of these lower value coins was and is expected to be smaller than that expected to be achieved on the higher value and rarer coins sold.

Accordingly, sales during the year were £0.77 million, up from £0.63 million in the previous year, which generated a gross profit of £0.03 million (2015: £0.2 million). Unlike last year, however, sales in the period under review were of a higher number of lower value European, Indian and English coins whereas the prior year benefited from the sale of £0.5 million of individually higher value rare English gold coins which alone generated a gross profit margin of 39 per cent.

Breakdown of our Portfolio

English milled and hammered coins represent the largest segment of the Company's portfolio, with holdings of Islamic coins also representing significant proportions of the stock. Other sectors where Avarae holds coins of notable value includes USA and South American coins. In total, Avarae holds coins from more than 40 different regions and nationalities, demonstrating its genuine global exposure.

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Directors' Report (continued)

Financial results

Revenue from the sale of coins or coin collections for the year ended 31 March 2016 was £0.77 million, up on the previous year's total of £0.63 million. While the overall revenue has increased, the margin was materially lower at £0.03 million (2015: £0.2 million), reflecting the Board's policy to continue to dispose of the lower value coins within the portfolio for which the Directors do not believe there will be any material future value appreciation..

As at 31 March 2016, in line with its long-term policy, the Company instructed industry experts to undertake a detailed revaluation of its coin portfolio. This exercise is intended to apportion changes in the value of coins over the period of their ownership by Avarae rather than allocating profits (or losses) in the year of sale only. The Company's gross profit is calculated as the difference between the sale price of each coin less its carrying value brought forward, which will either be cost or the revalued amount. The industry experts considered the open market resale value of only those coins that had been held within the Company's portfolio for more than 12 months, i.e. only those coins acquired and held by Avarae on or before 31 March 2015 and excluded those purchased during the financial year under review, which were held at cost. In each of the years since the Company's inception, the Company has recorded a gross profit, thereby demonstrating the validity of the revaluation exercise.

The result of the extensive revaluation exercise carried out on the coins, as described in the accounting policies and which the Directors continue to believe to be conservative, was that the overall carrying value of the portfolio as at 31 March 2016 remained broadly flat at £11.20 million (2015: £11.14 million), despite recording sales of £0.77 million and purchases of only £0.58 million during the year. At the period end, the coin portfolio was comprising of coins purchased with an aggregate cost of £8.31 million (2015: £8.29 million) and a revaluation amount of £2.89 million (net of VAT payable on sale) (2015: £2.85 million). The Directors continue to expect many coins from the portfolio to achieve appreciably higher returns than their revalued carrying value should they be sold at auction.

The effect of the revaluation, together with the profits from the coin sales, resulted in the Company recording a gross profit of £0.25 million (2015: £0.82 million). Administrative expenses during the year were down 25 per cent. at £0.32 million (2015: £0.44 million), due to cost reduction measures carried out during the year, in particular the termination of the numismatic advisory agreement with AH Baldwin & Sons in November 2015. Administrative costs for the year ended 31 March 2016 represented 2.1 per cent of the Company's year-end net assets (2015: 3.7 per cent.). Administrative costs for the current financial year are expected to be reduced further.

Net loss for the year of £0.07 million (2015: £0.38 million (profit)), delivered a loss /earnings per share of (0.09p) (2015: 0.47p (profit)).

The Company ended the year with a net cash balance of approximately £0.57 million compared to £0.88 million reported at the end of March 2015. The Company's cash is prudently managed across a spread of accounts, thereby reducing the risks of the creditworthiness of any one financial institution. At the date of this report, the Company's cash balances stood at approximately £2.13 million.

At year end, the Company had net assets of £11.81 million (2015: £12.13 million) and no borrowings. The Company's net asset value per share ("NAV") as at 31 March 2016 was 14.6 pence (2015: 14.9 pence).

Directors' Report (continued)

Financial results (continued)

Dividend

Due to the Company's announcement today that it is seeking to return cash to shareholders by way of a tender offer, the Board does not recommend the payment of a dividend in respect of the year under review. The dividend policy adopted by the Board will be reviewed again at the end of the current financial year.

Tender offer and delisting

Avarae has been well positioned as an alternative asset investment for more than a decade, against a backdrop of volatile international markets and fluctuating commodity prices. Over the last 10 years, Avarae has performed relatively well in its objective of delivering capital appreciation with its net asset value per share having increased by more than 50 per cent. from 9.5 pence to 14.6 pence, as well as having distributed more than £0.5 million in dividends, as compared to the AIM All Share Index, which has fallen by approximately 36 per cent. Over the same period.

However, Avarae has, over recent times, been finding it more and more challenging to acquire the highest quality and rarest coins which are being priced at ever higher prices. Furthermore, Avarae's share price has consistently traded at a discount to its net asset value, making it extremely difficult to raise additional funds for investment purposes in order to compete in today's numismatic market. This, coupled with the relatively high costs associated with having the Company's shares traded on AIM and the prohibitively high costs of returning cash to shareholders as an AIM company whose shares are thinly traded, has led the Board to its decision to seek to delist the Company's shares from AIM, with the intention to liquidate the coin portfolio in a controlled manner over a number of years in order to return as much cash to shareholders in the most cost effective ways possible.

Accordingly, your Board has today announced its intention to undertake a tender offer to acquire and cancel up to 16,156 667 existing ordinary shares at 11.5p each, representing a 3 per cent. premium to the volume weighted average closing mid-price per ordinary share since 1 January 2016. This will provide shareholders with nil-cost dealing facility and an opportunity to divest some or all of their shareholding in the Company, should they so wish. The Directors are then proposing to delist the Company's shares from trading on AIM, subject to obtaining the approval of shareholders to be sought at an extraordinary general meeting to be held on 13 October 2016 ("EGM").

Outlook

Avarae has continued to trade in line with management's expectation since the end of the financial year under review, having generated sales of approximately £1.78 million, including having sold the Edward III Double Florin for £0.83 million, an increase of £0.34 million on its cost price in 2006. Dependent upon the outcome of the de-listing resolution to be put to shareholders at the EGM, the Company will continue to trade in line with its existing trading policies.

The company has not implemented the guidelines set out in the IFRS Practice Statement *Management Commentary* in preparing the above report.

Nigel Gautrey
Matthew Wood
Clement Chambers
16 September 2016

Directors' Report (continued)

Incorporation

These are the ninth 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 and to enable them to ensure that financial statements prepared, comply with the Companies Act 2006, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 admitted to trading on AIM.

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

The loss for the year ended 31 March 2016 of (£69, 000) (31 March 2015- Profit: £380,000) has been transferred to reserves.

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Directors' Report (continued)

Directors' remuneration and interests

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

Nigel Gautrey (Appointed 8 Jan 2016)
Diane Clarke (Resigned 8 Jan 2016)
Matthew Wood
August Berting (Resigned 23 Sep 2015)
Clement Chambers
Kay Cregeen (Alternate) (Resigned 14 Aug 2015)
Chris Shimmin (Alternate) (Resigned 8 Jan 2016)

The remuneration of the Directors of the Company is set out in Notes 4 and 14 to the accounts. Other than Clement Chambers, who holds 30,000 Ordinary Shares, representing approximately 0.04% of the Company's issued share capital, none of the other Directors held any Ordinary Shares in the Company during the year.

Substantial shareholdings

As at 31 March 2016 and at the date of this report, the issued share capital of the Company was 80,783,334 ordinary shares of one pence each ("Ordinary Shares") and, as far as the Directors are aware, as at the date of this report, the following shareholders held 3% or more of the Company's issued share capital:

| <i>Shareholder</i> | <i>% Holding</i> |
|---|------------------|
| Montoya Investments Limited | 29.84 |
| Fitel Nominees Limited | 11.31 |
| Pershing Nominees Limited | 7.58 |
| Rathbone Nominees Limited | 4.94 |
| Sky Hill Limited | 4.75 |
| Lynchwood Nominees Limited | 4.49 |
| TD Direct Investing Nominees (Europe) Limited | 4.02 |
| Rulegale Nominees Limited | 3.40 |

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 portfolio. The recommendations for such purchases and disposals are made by independent experts comprising the Numismatic Advisory Panel.

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 a 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 Corporate Governance Code for Small and Mid-Size Quoted Companies so far as is practicable and appropriate for a public company of its size and nature.

The Board comprises three directors, one based in the Isle of Man, Nigel Gautrey, one based in the UK, Matthew Wood, and one based in Monaco, Clement Chambers. Mr Gautrey is an executive director and Messrs Wood and Chambers are all non-executive directors. The board considers each of the non-executive directors to be independent. The Company does not have a designated Chairman or Chief Executive Officer. Directors' remuneration is reported annually in the Company's annual report and accounts.

Directors' Report (continued)

Corporate governance (continued)

Matthew Wood and Clement Chambers make up 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 2016, 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.

The Company’s administrator, Hillberry Trust Company Limited (“Hillberry”), is responsible for maintaining the Company’s registers, other than the register of members which is maintained by the registrar, and for the Company complying with its filing requirements at the Companies Registry.

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.

Annual General Meeting

The notice (“Notice”) of annual general meeting (“AGM”) to be held at 11:00 a.m. on 13 October 2016 at the Company’s registered office has today been sent to shareholders. Copies of this document, Notice and form of Proxy for use at the AGM are available at the Company’s registered office and on the Company’s website www.avarae.com.

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Directors' Report (continued)

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

The Company's auditors, Baker Tilly Isle of Man LLC have indicated their willingness to continue to act. A resolution to re-appoint Baker Tilly Isle of Man LLC as auditors will be proposed at the Annual General Meeting of the Company on 13 October 2016.

APPROVED BY THE BOARD OF DIRECTORS

16 September 2016

Matthew Wood

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 2016 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body. 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 set out on page 8, the Directors are responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of the Company's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

**Independent Auditors' Report to the Members of Avarae Global Coins plc
(continued)**

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. As detailed in note 8, the valuation in the Company's balance sheet is based on cost as modified by a revaluation applied to coins acquired prior to 31 March 2015. 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.

Baker Tilly Isle of Man LLC

Chartered Accountants

2a Lord Street

Douglas

Isle of Man

IM99 1HP

16 September 2016

AVARAE GLOBAL COINS PLC
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Statement of Comprehensive Income for the year ended 31 March 2016

| | <i>Note</i> | Year ended <i>31-Mar-16</i> £'000 | Year ended <i>31-Mar-15</i> £'000 |
|--|-------------|---|---|
| Revenue | | | |
| Sales | 1,2 | 768 | 626 |
| Cost of Sales | | (739) | (425) |
| Coin revaluation | 8 | 220 | 618 |
| | | ----- | ----- |
| Gross profit | | 249 | 819 |
| | | ----- | ----- |
| Administrative expenses | | (319) | (440) |
| | | ----- | ----- |
| (Loss)/profit on ordinary activities before: | | (70) | 379 |
| Finance income | 5 | 1 | 1 |
| | | ----- | ----- |
| (Loss)/profit on ordinary activities before tax | | (69) | 380 |
| Tax on (loss)/profit on ordinary activities | 6 | - | - |
| | | ----- | ----- |
| (Loss)/profit on ordinary activities after | | (69) | 380 |
| | | ----- | ----- |
| Earnings per share (basic and diluted) | 7 | (0.09)p | 0.47p |

The notes numbered 1 to 18 form part of these financial statements.

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Statement of Financial Position as at 31 March 2016

| | <i>Note</i> | <i>As at 31-Mar-16 £'000</i> | <i>As at 31-Mar-15 £'000</i> |
|---|-------------|--------------------------------------|--------------------------------------|
| Assets | | | |
| Current Assets | | | |
| Coin inventory | 8 | 11,200 | 11,141 |
| Trade and other receivables | 9 | 55 | 105 |
| Cash at bank | | 571 | 882 |
| | | <hr/> | <hr/> |
| Total assets | | 11,826 | 12,128 |
| | | <hr/> | <hr/> |
| Liabilities and equity | | | |
| Creditors: amounts falling due within one year | 10 | 15 | 127 |
| | | <hr/> | <hr/> |
| Total Liabilities | | 15 | 127 |
| | | <hr/> | <hr/> |
| Equity | | | |
| Called up equity share capital | 12 | 808 | 808 |
| Share premium | | 8,880 | 8,880 |
| Profit and loss account | | 2,123 | 2,313 |
| | | <hr/> | <hr/> |
| Total Equity Shareholders' Funds | | 11,811 | 12,001 |
| | | <hr/> | <hr/> |
| Total Liabilities and equity | | 11,826 | 12,128 |
| | | <hr/> | <hr/> |

These financial statements were approved by the board of directors on 16 September 2016 and were signed on their behalf by:

Matthew Wood

Nigel Gautrey

The notes numbered 1 to 18 form part of these financial statements.

AVARAE GLOBAL COINS PLC
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Cash Flow Statement for the year ended 31 March 2016

| | Note | <i>Year ended 31-Mar-16 £'000</i> | <i>Year ended 31-Mar-15 £'000</i> |
|---|------|---|---|
| Cash flows from operating activities: | | | |
| (Loss)/profit on ordinary activities for the year | | (69) | 380 |
| Adjustments for: | | | |
| Decrease in payables | | (113) | (733) |
| Decrease in receivables | | 50 | 1,705 |
| Decrease/(increase) in inventory | | (59) | (521) |
| Net cash flow from operations | | <u>(191)</u> | <u>831</u> |
| Interest received | | <u>1</u> | <u>1</u> |
| Net cash from investing activities | | <u>1</u> | <u>1</u> |
| Dividends paid | | <u>(121)</u> | <u>(121)</u> |
| Net cash from financing activities | | <u>(121)</u> | <u>(121)</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(311)</u> | <u>711</u> |
| Opening cash position | | <u>882</u> | <u>171</u> |
| Cash and cash equivalents at 31 March | 13 | <u>571</u> | <u>882</u> |

The notes numbered 1 to 18 form part of these financial statements.

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REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Changes in Equity for the year ended 31 March 2016

| Company | <i>Share capital £'000</i> | <i>Share premium £'000</i> | <i>Retained earnings £'000</i> | <i>Total £'000</i> |
|---------------------|------------------------------------|------------------------------------|--|------------------------|
| At 31 March 2014 | 808 | 8,880 | 2,054 | 11,742 |
| Profit for the year | - | - | 380 | 380 |
| Dividends paid | - | - | (121) | (121) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2015 | 808 | 8,880 | 2,313 | 12,001 |
| Profit for year | - | - | (69) | (69) |
| Dividends paid | - | - | (121) | (121) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2016 | 808 | 8,880 | 2,123 | 11,811 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The notes numbered 1 to 18 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2016

(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) as adopted by the European Union (“EU”). This is the ninth 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.

Adoption of new and revised International Financial Reporting Standards (“IFRS”):

In the current year, the application of the following new and revised standards and interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB became mandatory. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Company’s accounting policies that would affect the amounts reported for the current or prior periods:

| | |
|---------|--|
| IFRS 2 | <u>Share based payment</u> Amendments resulting from Annual Improvements 2011-2013 Cycle Effective for periods commencing on or after 1 July 2014 |
| IFRS 8 | <u>Operating Segments</u> Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets) Effective for periods commencing on or after 1 July 2014 |
| IFRS 13 | <u>Fair Value Measurement</u> Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52) Effective for periods commencing on or after 1 July 2014 |
| IAS 19 | <u>Employee Benefits</u> Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service Effective for periods commencing on or after 1 July 2014 |
| IAS 24 | <u>Related Party Disclosures</u> Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities) Effective for periods commencing on or after 1 February 2015 |

Notes to the Financial Statements for the year ended 31 March 2016

(1) Accounting policies (continued)

The following standards, amendments and interpretations have been issued but are not effective for the period commencing 1 April 2015 and have not been early adopted by the company.

| | |
|---------|---|
| IFRS 2 | <u>Share based payment</u> Amendments to clarify the classification and measurement of share-based payment transactions Effective for periods commencing on or after 1 January 2018 |
| IFRS 5 | <u>Non-current Assets Held for Sale and Discontinued Operations</u> Amendments resulting from September 2014 Annual Improvements to IFRSs Effective for periods commencing on or after 1 January 2016 |
| IFRS 7 | <u>Financial Instruments: Disclosures</u> Amendments resulting from September 2014 Annual Improvements to IFRSs Effective for periods commencing on or after 1 January 2016 |
| IFRS 15 | <u>Revenue from contracts with customers</u> Applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017 |
| IAS 1 | <u>Presentation of Financial Statements</u> Amendments resulting from the disclosure initiative Effective for periods commencing on or after 1 January 2016 |
| IAS 7 | <u>Statement of Cash Flows</u> Amendments resulting from the disclosure initiative Effective for periods commencing on or after 1 January 2017 |
| IAS 12 | <u>Income Taxes</u> Amendments regarding the recognition of deferred tax assets for unrealised losses Effective for periods commencing on or after 1 January 2017 |
| IAS 19 | <u>Employee Benefits</u> Amendments resulting from September 2014 Annual Improvements to IFRSs Effective for periods commencing on or after 1 January 2016 |
| IAS 27 | <u>Separate Financial Statements</u> Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements Effective for periods commencing on or after 1 January 2016 |
| IAS 34 | <u>Interim Financial Reporting</u> Amendments resulting from September 2014 Annual Improvements to IFRSs Effective for periods commencing on or after 1 January 2016 |

Notes to the Financial Statements for the year ended 31 March 2016

(1) Accounting policies (continued)

| | |
|--------|---|
| IAS 39 | <u>Financial Instruments: Recognition and Measurement</u> Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception. Applies when IFRS is applied |
|--------|---|

Revenue recognition

The Company's sales consist of sales of individual coins or collections of coins and are accounted for on an accruals basis. Any sales made at auction are accounted for net of any incidental auction costs incurred.

Finance income is accounted for on a received basis.

Foreign currency transactions

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements of the Company are presented in pounds sterling ("GBP") which is its functional and presentation currency. Foreign currency transactions are translated into GBP using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Notes to the Financial Statements for the year ended 31 March 2016

(2) Segmental information - Revenue

The Company has one class of business, that of the sale of antiquarian and collectable coins. The analysis of the Company's revenue by location of customer is as follows:

| | <i>Year ended</i> <i>31-Mar-16</i> <i>£'000</i> | <i>Year ended</i> <i>31-Mar-15</i> <i>£'000</i> |
|----------------------|---|---|
| UK | 633 | 478 |
| International | | |
| Canada | 18 | - |
| Switzerland | 117 | - |
| Japan | - | 148 |
| | <hr/> | <hr/> |
| Total Sales | 768 | 626 |
| | <hr/> | <hr/> |

(3) (Loss)/profit for the period

The (loss)/profit for the period is stated after charging the following:

| | <i>Year ended</i> <i>31-Mar-16</i> <i>£'000</i> | <i>Year ended</i> <i>31-Mar-15</i> <i>£'000</i> |
|---|---|---|
| Auditors remuneration – Audit | 8 | 8 |
| Numismatic advisers – A H Baldwin & Sons Ltd* | 118 | 177 |

**The Company terminated the agreement with AH Baldwin & Sons Ltd on 17 November 2015*

(4) Staff costs

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

| | <i>Year ended</i> <i>31-Mar-16</i> <i>£'000</i> | <i>Year ended</i> <i>31-Mar-15</i> <i>£'000</i> |
|---------------|---|---|
| Guus Berting | 13 | 13 |
| Matthew Wood | 15 | 15 |
| Clem Chambers | 13 | 13 |

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

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

(5) Finance revenue

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

Notes to the Financial Statements for the year ended 31 March 2016

(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-16</i> | <i>31-Mar-15</i> |
| | <i>£'000</i> | <i>£'000</i> |
| (Loss)/profit before tax | (69) | 380 |
| | <hr/> | <hr/> |
| Isle of Man tax at 0% | - | - |
| | <hr/> | <hr/> |
| Tax expense for the year | - | - |
| | <hr/> | <hr/> |

(7) Earnings per share

The loss per share (basic and diluted) for the year ended 31 March 2016 was 0.09p (2015: profit per share of 0.47p). The calculation of earnings per share is based on the loss of £69,000 (2015: £380,000 - profit) for the year and the weighted average number of shares in issue being 80,783,334 (2015: 80,783,334).

(8) Coin inventory

| | <i>As at</i> |
|--------------------------|--------------------------|
| | <i>31-Mar-16</i> |
| | <i>£'000</i> |
| Coins | |
| At Cost | |
| At 01 April 2015 | 8,294 |
| Additions | 577 |
| Disposal of coins | (562) |
| At 31 March 2016 | <hr/> 8,309 <hr/> |
| Revaluation | |
| At 01 April 2015 | 2,847 |
| Revaluation for the year | 220 |
| Disposal of coins | (176) |
| At 31 March 2016 | <hr/> 2,891 <hr/> |
| Net Book Values | |
| At 31 March 2016 | <hr/> <hr/> 11,200 <hr/> |
| At 31 March 2015 | <hr/> <hr/> 11,141 <hr/> |

At the year end, only those coins that had been acquired by the Company before 31 March 2015 were revalued by industry experts to their expected market value as at 31 March 2016 less the VAT payable on sale. Inventory purchased during the year ended 31 March 2016 has been carried

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at cost. This is considered by the directors to give a fair value for the inventory. Inventory of £11,199,281 (2015: £11,141,208) is carried as 'Inventory carried at fair value less costs to sell'.

Notes to the Financial Statements for the year ended 31 March 2016

(8) Coin inventory (continued)

The purchase cost of inventory held at 31 March 2016 was £8,309,284 (2015: £8,293,780). This cost includes all incidental costs of acquisition (including premiums and irrecoverable VAT).

IFRS 13, Fair Value Measurement, requires disclosure about fair value measurements. The coin inventory revaluation is a fair value adjustment to revalue coins to their expected current market value less VAT payable on sale. It is a level 2 fair value adjustment, as it is a valuation technique where all significant inputs are directly or indirectly observable from market data, as the revaluation is based on sales of similar coins in the market.

(9) Trade and other receivables

| | <i>As at</i> <i>31-Mar-16</i> <i>£'000</i> | <i>As at</i> <i>31-Mar-15</i> <i>£'000</i> |
|------------------|--|--|
| Trade debtors | 23 | 83 |
| Other debtors | 13 | - |
| Prepaid expenses | 19 | 22 |
| | <hr/> | <hr/> |
| Total | 55 | 105 |
| | <hr/> | <hr/> |

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>31-Mar-16</i> <i>£'000</i> | <i>As at</i> <i>31-Mar-15</i> <i>£'000</i> |
|------------------|--|--|
| Trade creditors | 5 | 23 |
| Other creditors | - | 47 |
| Accrued expenses | 10 | 57 |
| | <hr/> | <hr/> |
| | 15 | 127 |
| | <hr/> | <hr/> |

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 below.

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. No sensitivity analysis has been prepared as required by 'IFRS 7'. Financial

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Instruments: Disclosures' as the directors consider the results of any such analysis to be insignificant.

Notes to the Financial Statements for the year ended 31 March 2016

(11) Financial instruments and risk (continued)

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 try to ensure, as far as possible, that it will always maintain sufficient cash and other readily realisable assets to meet 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:

| | <i>Carrying amount 2016 £'000</i> | <i>Carrying amount 2015 £'000</i> |
|-----------------------------|---|---|
| Trade and other receivables | 55 | 105 |
| Cash at bank | 571 | 882 |

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

Fair value estimation & hierarchy

The fair value hierarchy classifies financial instruments into the following:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the fair value that are not based on observable market data.

As detailed in note 8, the coin portfolio is classified as level 2 in the fair value hierarchy.

In accordance with IFRS 13, Fair Value Measurement paragraph 93(d), the company has used prices from prior transactions and third-party pricing information without adjustment in arriving at the carrying value of trade and other receivables/payables, which are classified as level 3 in the fair value hierarchy.

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Notes to the Financial Statements for the year ended 31 March 2016

(11) Financial instruments and risk (continued)

The below table shows financial instruments recognised at fair value:

| | <i>As at 31-Mar-16 £'000</i> | <i>As at 31-Mar-15 £'000</i> |
|-----------------------------|--------------------------------------|--------------------------------------|
| Level 2: | | |
| Coin Portfolio | 11,200 | 11,141 |
| Level 3: | | |
| Trade and other receivables | 55 | 105 |
| Payables | 15 | 127 |

(12) Share capital

| | <i>As at 31-Mar-16 £'000</i> | <i>As at 31-Mar-15 £'000</i> |
|---|--------------------------------------|--------------------------------------|
| Authorised | | |
| 200,000,000 ordinary shares of £0.01 each | 2,000 | 2,000 |
| Allotted, called up and fully paid | | |
| 80,783,334 ordinary shares of £0.01 each (2015: 80,783,334) | 808 | 808 |

(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 31-Mar-16 £'000</i> | <i>As at 31-Mar-15 £'000</i> |
|--|--------------------------------------|--------------------------------------|
| Cash on hand and balances with banks | 571 | 882 |
| Short-term investments | - | - |
| Cash and cash equivalents as previously reported | 571 | 882 |
| Effect of exchange rate changes | - | - |
| Cash and cash equivalents | 571 | 882 |

Notes to the Financial Statements for the year ended 31 March 2016

(14) Related party transactions

Nigel Gautrey is a director of Hillberry Trust Company Limited (Hillberry). The Company incurred administration fees of £14,700 (2015: £14,700) from Hillberry during the year, in addition to which, a further £5,000 was in respect of the annual responsibility fee, which covers the provision of resident statutory services. As at 31 March 2016, £nil (2015: £nil) was owing to Hillberry.

Matthew Wood is a director of ONE Advisory Limited (ONE). Fees for financial, corporate and accounting services of £44,518 (2015: £45,077) were paid to ONE during the period. As at 31 March 2016, £4,008 was owing to ONE (2015: £3,997).

Matthew Wood is also a non-executive director of Historic Heritage Trading Limited (HHTL), a private company that trades in collectable goods including coins. In the year ended 31 March 2016, the Company purchased £127,000 (2015:£nil) of coins from HHTL. Mr Wood recused himself from all aspects of these transactions to ensure that they were conducted entirely at arm's length. As at 31 March 2016, there was no balance outstanding to HHTL (2015:£nil).

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 2016, stock purchases of £0.45 million (2015: £0.32 million) were made through AH Baldwin & Sons Limited ("Baldwin"). In addition, during the year ended 31 March 2016, stock sales (net of VAT) of £0.61 million (2015: £0.47 million) were made through Baldwin. Avarae entered into an agreement with Baldwin on 21 April 2006 under which Avarae pays fees to Baldwin for, amongst other things, services related to sourcing suitable coin purchases and coin buyers for Avarae. The agreement was terminated on 17 November 2015.

All purchases and sales made by Avarae, including those made through Baldwin, are independently assessed and approved by the Company's Advisory Panel ("Panel"). The members of the Panel are Sir John Wheeler and Clement Chambers.

(15) Commitments under operating leases

At 31 March 2016, the Company had no commitments under operating leases (2015: £nil).

(16) Capital commitments

At 31 March 2016, the Company had no capital commitments (2015: £nil).

(17) Post balance sheet events

There are no post balance sheet events that the Directors believe need disclosure.

(18) Dividends

Due to the Company's announcement today that it is seeking to return cash to shareholders by way of a tender offer, the Board does not recommend the payment of a dividend in respect of the year under review. The dividend policy adopted by the Board will be reviewed again at the end of the current financial year.

Avarae Global Coins plc

(Incorporated under the Isle of Man Companies Act 2006 (as amended) with number 4526V) (the “Company”)

Notice of Annual General Meeting

Notice is hereby given that the 2016 Annual General Meeting of the Company (the “**Annual General Meeting**”) will be held at the offices of the Company, Ground Floor, West Suite, Exchange House, 54-58 Athol Street, Douglas, Isle of Man, IM1 1JD at 11:00 am on 13 October 2016.

At the Annual General Meeting, the following ordinary business will be transacted:

The consideration and, if thought fit, passing of the following resolutions which will be proposed as ordinary resolutions:

1. **THAT** the audited accounts of the Company for the year ended 31 March 2016 and the reports of the Directors and the Auditors and any other document required to be annexed thereto be and they are hereby considered and adopted.
2. **THAT** Nigel Christian Gautrey, who was appointed as a Director of the Company since the last Annual General Meeting, is hereby re-appointed as a Director of the Company.
3. **THAT** Baker Tilly Isle of Man LLC be and they are hereby re-appointed as Auditors to the Company and that the Directors be and they are hereby authorised to determine their remuneration.

By Order of the Board
Nigel Gautrey, Director

Dated: 16 September 2016

Registered office:
Ground Floor, West Suite
Exchange House
54-58 Athol Street
Douglas,
Isle of Man, IM1 1JD

Notes

1. A member who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him or her in respect of such shares. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed which, to be valid, must be completed and delivered, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such authority) to the Company’s Transfer Agent, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA or by email to info@nevilleregistrars.co.uk so as to arrive not later than 11:00 am on 11 October 2016.
3. Completion and return of a Form of Proxy does not preclude a member from attending and voting in person should they wish to do so.
4. The Company, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006 (Isle of Man), specifies that only those members registered in the register of members as at 11am on 11 October 2016 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the Ordinary Shares registered in their name at that time. Changes to entries on the register of members after 5.00 pm on 11 October 2016 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.