

# **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 2017**



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AVARAE GLOBAL COINS PLC  
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

## Company information

<b>Directors</b>	Nigel Gautrey Jason Carl Harrison (Appointed 20 April 2017) Matthew Wood Clement Chambers
<b>Registered Office</b>	3rd Floor Analyst House Peel Road Douglas Isle of Man IM1 4LZ
<b>Numismatic Advisory Panel</b>	The Rt Honourable Sir John Wheeler J.P. DL Clement Chambers
<b>Auditors</b>	Baker Tilly Isle of Man LLC PO Box 95 2a Lord Street Douglas Isle of Man IM99 1HP
<b>Advocates</b>	Appleby 33 Athol Street Douglas Isle of Man IM1 1LB
<b>Registrars</b>	Neville Registrars Limited 18 Laurel Lane Halesowen B63 3DA

## Directors' Report

### Introduction

The Board is pleased to present the annual report of Avarae Global Coins Plc ('the Company') for the year ended 31 March 2017. In line with the wishes of its shareholders, during the year under review, the Company generated strong cashflows as part of its continued effort to return value to shareholders.

On 13 October 2016, the Company's shareholders voted to delist the Company's ordinary shares ("Ordinary Shares") from the AIM market of the London Stock Exchange, with a view to divesting the Company's coin portfolio and returning cash to shareholders in as cost effective a way as possible ("Delisting"). At the same time, the Company's shareholders were given an opportunity to realise some or all of their investment in the Company via a tender offer undertaken by the Company. A further buy-back of shares was carried out by the Company in March 2017, such that as at the date of this report, the Company has returned approximately £1.64 million of cash to shareholders, through the purchase and cancellation of 13,748,216 of its Ordinary Shares.

The background to, and the reasons for, the Delisting were clearly set out in a circular sent to shareholders on 19 September 2016, and included:

- the management time and the legal and regulatory burden associated with maintaining the Company's admission to trading on AIM, even though those costs had been, and continue to be, closely controlled and minimised by the Company was, in the Directors' opinion, disproportionate to the benefits to the Company;
- there had been, for some time, a lack of liquidity in the Ordinary Shares such that trading range in the Ordinary Shares in the 12 months to 19 September 2016, in the Board's opinion, significantly under-valued the Company; and
- the lack of liquidity in the Ordinary Shares, with an average daily volume over the 12-month period to September 2016 of only 0.03% of the Company's then issued share capital, meant that shareholders were unable to trade in the Ordinary Shares without incurring significant lost value due to the large spread in the Ordinary Shares.

Following the Delisting, the Company has continued to divest its portfolio of coins in a controlled and cost effective manner.

### Financial Highlights for the year ended 31 March 2017:

- Sales of £6.39 million, an increase of £5.6 million on the prior year (2016: £0.77 million);
- Cash generated from operations of £6.1 million (2016: loss £0.19m);
- Improved trading gross profit margin to 6.6% from 3.8% in the prior year;
- Reduction in ongoing annualised operating costs of 40% when compared to the prior year;
- £1.64 million of cash returned to shareholders through the repurchase and cancellation of 13.75 million Ordinary Shares; and
- Net asset value per share increased to 15.5 pence as at 31 March 2017 (2016: 14.6 pence).

## **Directors' Report (continued)**

### **Avarae's investments**

#### *Sales*

During the year, the Company made strong progress in the reduction of its portfolio. A significant value and number of coins were disposed in the year for materially higher returns than their previous carrying value. A large proportion of these sales were made to international buyers, in particular from the US and Switzerland, as the Company increased its efforts to obtain the highest value for its coin portfolio.

As a result, sales during the year were £6.39 million, up from £0.77 million in the previous year, which generated a trading gross profit of £0.42 million (2016: £0.03 million). Pleasingly, we were able to generate higher gross profits on coins sold in the year under review than in previous years, generating trading gross profits of 6.6% (2016: 3.8%). Not surprisingly, the quantity of the coins sold in the year also increased more than 75% to 333 coins from 187 coins sold in the prior year. Accordingly, as at the year end, the Company's portfolio of coins had reduced to 484 coins.

#### *Breakdown of our Portfolio*

English milled and hammered coins continue to 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 Indian and Scottish coins. In total, Avarae holds coins from more than 25 different regions and nationalities, demonstrating its genuine global exposure.

### **Financial results**

The Board is pleased with the progress made on sale of coins during the year. A strong result in the second half of the financial year saw revenues almost doubling from £2.17 million in the first half to £4.22 million in the second half, largely due to a collection that we had been building up over the years being sold for more than £3.0 million. The Company's performance at key coin fairs and auctions, such as New York and Munich have also contributed to the significant upturn in revenues.

As at 31 March 2017, 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 smooth out the effect of long term changes in a coin's value by apportioning 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 overall gross profit (rather than its trading 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 2016 and excluded those purchased during the financial year under review which have been held at cost. The Directors are pleased to report that in each of the years since the Company's inception in 2006, the Company has recorded a gross profit, thereby demonstrating the validity of the revaluation exercise.

## **Directors' Report (continued)**

### **Financial results (continued)**

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 2017 remained broadly flat at £5.3 million (2016: £11.20 million), despite recording sales of £6.39 million. At the period end, the coin portfolio was comprising of coins purchased with an aggregate cost of £4.48 million (2016: £8.31 million) and a revaluation amount of £0.82 million (net of VAT payable on sale) (2016: £2.89 million). The Directors continue to expect many coins from the portfolio to achieve higher returns than their revalued carrying value should they be sold at auction.

The Company incurred administrative expenses during the year of £0.27 million (2016: £0.32 million), however, this figure included one-off legal and regulatory fees in connection with the Delisting and tender offers of £0.09 million. Accordingly, ordinary course administrative fees were £0.18 million for the year under review, representing a reduction of 44% on the prior year. The Directors continue to keep costs at as low a level as possible and, following the Delisting, the Directors estimate that administrative expenses for the current financial year will have reduced further.

The Company generated a net profit for the year of £0.17 million (2016: £0.07 million (loss)), delivering an earnings per share of 0.22p (2015: 0.09p (loss)).

The Company ended the year with a net cash balance of approximately £5.01 million compared to £0.57 million reported at the end of March 2016. At the date of this report, the Company's cash balances stood at approximately £5.38 million.

At year end, the Company had net assets of £10.34 million (2016: £11.81 million) and no borrowings. The Company's net asset value per share ("NAV") as at 31 March 2017 was 15.5 pence (2016: 14.6 pence).

### **Dividend**

The Board does not recommend the payment of a dividend in respect of the year under review. The Board's current intention is to provide liquidity events for shareholders through further buy-backs of Ordinary Shares as the Company's coin portfolio continues to be liquidated in as cost effective a manner as possible. The dividend policy adopted by the Board will be reviewed during the current financial year.

## **Directors' Report (continued)**

### **Delisting and tender offer**

On 13 October 2016, the Company's shareholders voted to cancel the admission of the Company's shares to trading on the AIM market of the London Stock Exchange and at the same time the Company carried out a tender offer to allow shareholders to sell some or all of their holding in the Company. The background to and the reasons for the Delisting and tender offer were clearly set out in a circular sent to shareholders on 19 September 2016, a copy of which can be found at the Company's website at [www.avarae.com](http://www.avarae.com).

On 19 September 2016, the initial tender offer was made at 11.5 pence and 9,027,441 Ordinary Shares were validly tendered by shareholders. These Ordinary Shares, which were purchased by the Company and cancelled, represented 11.2% of the Company's then issued share capital.

A second tender offer was made on 20 February 2017 at 12.75 pence and 4,720,775 Ordinary shares were validly tendered by shareholders. These Ordinary Shares, which were purchased by the Company and cancelled, represented 6.6% of the Company's then issued share capital.

In accordance with the Board's strategy to return cash to Shareholders, further buybacks are intended to be undertaken in the current financial year, although there can be no guarantee that the price offered by the Company will exceed the prices previously paid.

### **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 £0.42 million (2016: £0.85 million). The Company is expected to continue to generate positive cash returns in order to maximise shareholder value.

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

Nigel Gautrey  
Jason Harrison  
Matthew Wood  
Clement Chambers  
23 June 2017

## **Directors' Report (continued)**

### **Incorporation**

These are the eleventh 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 Isle of Man 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 were 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 until the delisting in October 2016. The directors have continued to apply this reporting framework applied to preparation of the financial statements following the completion of delisting process.

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 since the Company's delisting from the AIM market of the London Stock Exchange in October 2016, is to return capital to shareholders in a cost-effective manner.

### **Results**

The profit for the year ended 31 March 2017 of £165,000 (2016 Loss: £69,000) has been transferred to reserves.

## 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  
Jason Carl Harrison (Appointed 20 April 2017)  
Clement Chambers  
Matthew Wood

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 2017 and at the date of this report, the issued share capital of the Company was 67,035,118 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 registered shareholders held 3% or more of the Company's issued share capital:

<i>Shareholder</i>	<i>% Holding</i>
Montoya Investments Limited	35.96
Fitel Nominees Limited	16.29
Pershing Nominees Limited	16.97
Rathbone Nominees Limited	4.94
Sky Hill Limited	6.48
Rulegale Nominees Limited	4.10
Hargreaves Lansdown Nominees Limited	3.05

### 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.

The Board comprises four directors, two based in the Isle of Man, Nigel Gautrey and Jason Harrison, one based in the UK, Matthew Wood, and one based in Monaco, Clement Chambers. Messrs Gautrey and Harrison are executive directors and Messrs Wood and Chambers are 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 2017, 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 selling 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 published on its website, [www.avarae.com](http://www.avarae.com).

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 the Company’s annual general meeting (“AGM”) will be sent to shareholders in due course, together with the form of Proxy for use at the AGM. Copies of this document are available at the Company’s registered office and on the Company’s website [www.avarae.com](http://www.avarae.com).

AVARAE GLOBAL COINS PLC  
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

**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 to be held in 2017.

APPROVED BY THE BOARD OF DIRECTORS

23 June 2017

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 2017 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, in accordance with the terms of our engagement letter dated 10 May 2017. 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 Statement of Directors' Responsibilities 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 2017 and of the Company's profit 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 Statement of Financial Position is based on cost as modified by a revaluation applied to coins acquired prior to 31 March 2016, or sold between the year end date and the date of approving these financial statements. 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

23 June 2017

AVARAE GLOBAL COINS PLC  
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

**Statement of Comprehensive Income for the year ended 31 March 2017**

	<i>Note</i>	Year ended <i>31-Mar-17</i> £'000	Year ended <i>31-Mar-16</i> £'000
<b>Revenue</b>			
Sales	2	6,391	768
Cost of Sales		(5,969)	(739)
Coin revaluation	8	14	220
		-----	-----
Gross profit		436	249
		-----	-----
Administrative expenses		(271)	(319)
		-----	-----
<b>Profit/(loss) on ordinary activities before:</b>		165	(70)
Finance income	5	-	1
		-----	-----
<b>Profit/(loss) on ordinary activities before tax</b>		165	(69)
Tax on profit /(loss) on ordinary activities	6	-	-
		-----	-----
<b>Total profit/(loss) on ordinary activities after taxation</b>		165	(69)
		-----	-----
<b>Total comprehensive income</b>		165	(69)
		-----	-----
<b>Earnings per share (basic and diluted)</b>	7	0.22p	(0.09)p

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

AVARAE GLOBAL COINS PLC  
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**Statement of Financial Position as at 31 March 2017**

	<i>Note</i>	<i>As at</i> 31-Mar-17 £'000	<i>As at</i> 31-Mar-16 £'000
<b>Assets</b>			
<b>Current Assets</b>			
Coin inventory	8	5,301	11,200
Trade and other receivables	9	49	55
Cash at bank	13	5,013	571
		<hr/>	<hr/>
<b>Total assets</b>		<b>10,363</b>	<b>11,826</b>
		<hr/>	<hr/>
<b>Liabilities and equity</b>			
<b>Creditors:</b> amounts falling due within one year	10	27	15
		<hr/>	<hr/>
<b>Total Liabilities</b>		27	15
		<hr/>	<hr/>
<b>Equity</b>			
Called up equity share capital	12	670	808
Share premium		7,378	8,880
Profit and loss account		2,288	2,123
		<hr/>	<hr/>
<b>Total Equity Shareholders' Funds</b>		10,336	11,811
		<hr/>	<hr/>
<b>Total Liabilities and equity</b>		<b>10,363</b>	<b>11,826</b>
		<hr/>	<hr/>

*These financial statements were approved by the board of directors on 23 June 2017 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  
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

**Cash Flow Statement for the year ended 31 March 2017**

	Note	<i>Year ended 31-Mar-17 £'000</i>	<i>Year ended 31-Mar-16 £'000</i>
<b>Cash flows from operating activities:</b>			
Profit/(loss) on ordinary activities for the year		165	(69)
Adjustments for:			
Increase/(decrease) in payables		12	(113)
Decrease in receivables		6	50
Decrease/(increase) in inventory		5,899	(59)
<b>Net cash flow from operations</b>		<u>6,082</u>	<u>(191)</u>
<b>Cash flows from investing activities</b>			
Interest received		-	1
<b>Net cash from investing activities</b>		<u>-</u>	<u>1</u>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(121)
Purchase of own ordinary shares		(1,640)	-
<b>Net cash from financing activities</b>		<u>(1,640)</u>	<u>(121)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		4,442	(311)
Opening cash position		571	882
<b>Cash and cash equivalents at 31 March</b>	13	<u>5,013</u>	<u>571</u>

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

AVARAE GLOBAL COINS PLC  
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**Statement of Changes in Equity for the year ended 31 March 2017**

<b>Company</b>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
At 31 March 2015	808	8,880	2,313	12,001
<b>Comprehensive income for year</b>				
Loss for the year	-	-	(69)	(69)
<b>Transactions with owners recorded directly in equity</b>				
Dividends paid	-	-	(121)	(121)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	808	8,880	2,123	11,811
<b>Comprehensive income for year</b>				
Profit for year	-	-	165	165
<b>Transactions with owners recorded directly in equity</b>				
Purchase of own ordinary shares	(138)	(1,502)	-	(1,640)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	670	7,378	2,288	10,336

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

## Notes to the Financial Statements for the year ended 31 March 2017

### (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”). The functional currency is £-Sterling and all amounts are rounded to the nearest £1,000.

#### 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 7	<u>Financial Instruments: Disclosures</u> Amendments resulting from September 2014 Annual Improvements to IFRSs Effective for annual periods beginning on or after 1 January 2016
IAS 1	<u>Presentation of Financial Statements</u> Amendments resulting from the disclosure initiative Effective for annual periods beginning on or after 1 January 2016
IAS 34	<u>Interim Financial Reporting</u> Amendments resulting from the September 2014 annual improvements to IFRSs. Effective for annual periods beginning on or after 1 January 2016

The following standards, amendments and interpretations have been issued but are not effective for the period commencing 1 April 2016 and have not been early adopted by the company. The impact of adopting these new standards and interpretations is not known.

IFRS 15	<u>Revenue from Contracts with Customers</u> Amendments and clarifications to the original issue. Applies to annual periods beginning on or after 1 January 2018.
IFRS 16	<u>Statement of Cash Flows</u> Amendments as a result of Disclosure initiative. Applies to annual periods beginning on or after 1 January 2017.

## Notes to the Financial Statements for the year ended 31 March 2017

### (1) Accounting policies (continued)

IAS 7                      Statement of Cash Flows  
Amendments as result of the Disclosure initiative .  
Applies to annual periods beginning on or after 1 January 2017.

#### *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 receivable 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.

### (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>Year ended</i>
	<i>31-Mar-17</i>	<i>31-Mar-16</i>
	<i>£'000</i>	<i>£'000</i>
UK	1,131	633
<b>International</b>		
Canada	28	18
Switzerland	3,244	117
Japan	196	-
USA	1,420	-
Germany	93	-
Norway	279	-
	6,391	768
<b>Total Sales</b>	6,391	768

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**Notes to the Financial Statements for the year ended 31 March 2017**

**(3) Profit/(loss) for the year**

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

	<i>Year ended</i> <i>31-Mar-17</i> <i>£'000</i>	<i>Year ended</i> <i>31-Mar-16</i> <i>£'000</i>
Auditors remuneration – Audit	9	8
Numismatic advisers – A H Baldwin & Sons Ltd*	-	118

*\*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-17</i> <i>£'000</i>	<i>Year ended</i> <i>31-Mar-16</i> <i>£'000</i>
Guus Berting	-	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**

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

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**Notes to the Financial Statements for the year ended 31 March 2017**

**(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>31-Mar-17</i>	<i>Year ended</i> <i>31-Mar-16</i>
	<i>£'000</i>	<i>£'000</i>
Profit/(loss) before tax	165	(69)
Isle of Man tax at 0%	-	-
Tax expense for the year	-	-

**(7) Earnings per share**

The earnings per share (basic and diluted) for the year ended 31 March 2017 was 0.22p (2016: loss per share of 0.09p). The calculation of earnings per share is based on the profit of £165,000 (2016: £69,000 - loss) for the year and the weighted average number of shares in issue being 76,581,495 (2016: 80,783,334).

**(8) Coin inventory**

	<i>As at</i> <i>31-Mar-17</i> <i>£'000</i>
<b>Coins</b>	
<b>At Cost</b>	
At 01 April 2016	8,309
Additions	46
Disposal of coins	(3,874)
At 31 March 2017	4,481
<b>Revaluation</b>	
At 01 April 2016	2,891
Revaluation for the year	14
Disposal of coins	(2,085)
At 31 March 2017	820
<b>Net Book Values</b>	
At 31 March 2017	5,301
At 31 March 2016	11,200

## Notes to the Financial Statements for the year ended 31 March 2017

### (8) Coin inventory (continued)

At the year end, only those coins that had been acquired by the Company before 31 March 2016 were revalued by industry experts to their expected market value as at 31 March 2017 less the VAT payable on sale. For coins sold subsequent to year end and up to the date of this report, a revaluation adjustment is included as part of coin revaluation exercise to adjust the coins to their ultimate realised value. This is considered by the directors to give a fair value for the inventory. Inventory of £5,300,909 (2016: £11,199,281) is carried as 'Inventory carried at fair value less costs to sell'.

The purchase cost of inventory held at 31 March 2017 was £4,481,113 (2015: £8,309,284). 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-17</i> <i>£'000</i>	<i>As at</i> <i>31-Mar-16</i> <i>£'000</i>
Trade debtors	30	23
Other debtors	-	13
Prepaid expenses	19	19
	<hr/>	<hr/>
Total	49	55
	<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-17</i> <i>£'000</i>	<i>As at</i> <i>31-Mar-16</i> <i>£'000</i>
Trade creditors	4	5
Other creditors	13	-
Accrued expenses	10	10
	<hr/>	<hr/>
	27	15
	<hr/>	<hr/>

All creditors are due within one year.

## Notes to the Financial Statements for the year ended 31 March 2017

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

#### *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 2017 £'000</i>	<i>Carrying amount 2016 £'000</i>
Trade and other receivables	30	36
Cash at bank	5,013	571

The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit rating agencies.

## Notes to the Financial Statements for the year ended 31 March 2017

### (11) Financial instruments and risk (continued)

#### *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.

The below table shows financial instruments recognised at fair value:

	<i>As at 31-Mar-17 £'000</i>	<i>As at 31-Mar-16 £'000</i>
<b>Level 2:</b>		
Coin Portfolio	5,301	11,200
<b>Level 3:</b>		
Trade and other receivables	49	55
Payables	27	15

### (12) Share capital

	<i>2017 Number</i>	<i>2017 £'s</i>	<i>2016 Number</i>	<i>2016 £'s</i>
<b>Authorised</b>				
Ordinary Shares of £0.01 each	200,000,000	2,000,000	200,000,000	2,000,000
<b>Allotted, called up and fully paid</b>				
At 1 April	80,783,334	807,833	80,783,334	807,833
Purchase of own shares for cancellation	(13,748,216)	137,482	-	-
As at 31 March	67,035,118	670,351	80,783,334	807,833

## Notes to the Financial Statements for the year ended 31 March 2017

### (12) Share capital (continued)

During the year ended 31 March 2017, the Company carried out two tender offers for repurchase and subsequent cancellation of its ordinary share capital.

In October 2016, the Company purchased 9,027,441 ordinary shares at 11.5p each for a total consideration of £1,038,156 for cancellation.

In March 2017, the Company purchased 4,720,775 ordinary shares at 12.75p each for a total consideration of £601,898 for cancellation.

Each share in the Company confers upon the shareholder,

- the right to vote at a meeting of the shareholders or on any company resolution of shareholders,
- the right to an equal share in any dividend paid by the Company; and
- the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

### (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>31-Mar-17</i> <i>£'000</i>	<i>As at</i> <i>31-Mar-16</i> <i>£'000</i>
Cash on hand and balance with bank	5,013	571
Short-term investments	-	-
	5,013	571
Cash and cash equivalents as previously reported	5,013	571
Effect of exchange rate changes	-	-
	5,013	571
Cash and cash equivalents	5,013	571

### (14) Related party transactions

Nigel Gautrey and Jason Harrison are directors of Hillberry Trust Company Limited (Hillberry). The Company incurred administration fees of £14,700 (2016: £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. In respect of the October 2016 tender offer and delisting process, the Company incurred associated fees of £2,500 from Hillberry (2016: £nil). As at 31 March 2017, £nil (2016: £nil) was owing to Hillberry.

Matthew Wood is a director of ONE Advisory Limited (ONE). Fees for financial, corporate, accounting and investor relations services of £42,224 (2016: £44,518) were paid to ONE during the year ended 31 March 2017. A further fee of £7,300 was incurred by the Company with respect to the October 2016 tender offer and delisting process. As at 31 March 2017, £4,006 was owing to ONE (2016: £4,008).

## **Notes to the Financial Statements for the year ended 31 March 2017**

### **(14) Related party transactions (continued)**

Matthew Wood's services to the Company are supplied through ABT Associates Limited which, in addition to his director's fees, invoiced the Company £5,000 (2016: £nil) for additional services pertaining to the October 2016 tender offer and delisting process. At the year end, prepaid director's fees of £2,450 are included within the accounts (2016: £2,450).

Matthew Wood is also a non-executive director of Historic Heritage Trading Limited (HHTL), a private company that trades in historical collectable goods, including coins. In the year ended 31 March 2017, the Company had no transactions with HHTL (2016: £127,000). Mr Wood recused himself from all aspects of any transactions with HHTL to ensure that they were conducted entirely at arm's length. As at 31 March 2017, there was no balance outstanding to HHTL (2016: £nil).

In addition to his director's fees, Clement Chambers receives £3,150 per year to sit on the Company's numismatic advisory panel. At the year end Mr Chambers' combined fees outstanding were £1,312 (2016 £1,312).

Mr Ian Goldbart, who is a substantial beneficial shareholder of the Company, is also the majority shareholder and director of Sovereign Rarities Limited ('Sovereign'), a numismatic trading company. The Company sold coins to Sovereign during the year to the value of £566,813 (2016: £nil) and purchased coins from Sovereign totalling £46,000 (2016: £nil). As at 31 March 17, Sovereign owed the Company £24,250 (2016: £Nil), which has been received subsequent to year end.

The majority of the Company's sales of £6.39 million in the year ended 31 March 2017 were to numismatists or coin dealers introduced by Sovereign. Any introductory fees or commissions receivable by Sovereign for these introductions, in line with the industry's standard practices, were arranged directly between Sovereign and the relevant buyers.

After the year end, the Company entered into a sales, marketing and custody agreement with Sovereign which formalised the commercial trading terms between the Company and Sovereign. The terms of this agreement included establishing the basis for calculating any commissions payable to Sovereign for the introduction of suitable buyers for some of the Company's inventory subject to any sale by the Company being above its current carrying value.

All purchases and sales made by Avarae, including those with Sovereign, 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 2017, the Company had no commitments under operating leases (2016: £nil).

### **(16) Capital commitments**

At 31 March 2017, the Company had no capital commitments (2016: £nil).

### **(17) Subsequent events**

There are no subsequent events that the Directors believe need disclosure.

**Notes to the Financial Statements for the year ended 31 March 2017**

**(18) Dividends**

Due to the Company's ongoing strategy 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 during the current financial year.