

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 2019



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AVARAE GLOBAL COINS PLC
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

Company information

Directors	Rosaline Melia Matthew Wood Clement Chambers Alan Molloy Laurence Gergel
Registered Office Registered Agent	Cayman National Cayman National House 4-8 Hope Street Douglas Isle of Man IM1 1AQ
Numismatic Advisory Panel	The Rt Honourable Sir John Wheeler J.P. DL Clement Chambers
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 Neville House Steelpark Road Halesowen B62 8HD

AVARAE GLOBAL COINS PLC
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

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 2019 ('FY2019'). In line with the wishes of its shareholders, during the year under review, the Company continued to generate steady cashflows as part of its continued strategy to return value to shareholders.

During the year, 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 buy-back of shares was carried out by the Company in November 2018, returning approximately £1.97 million of cash to shareholders, through the purchase and subsequent cancellation of 12,305,108 of its Ordinary Shares.

The sole strategy of the Company is to continue the orderly divestment of its coin portfolio in the most cost-effective manner so as to maximise the overall return to shareholders.

Financial Highlights for the year ended 31 March 2019:

- Sales of £1.91 million, a decrease of £0.69 million on the prior year (FY2018: £2.60 million);
- Cash generated from operations of £1.65 million (FY2018: £2.22 million);
- Trading gross profit margin, which excludes the effect of the coin revaluation, reduced to 4.2% from 9.1% in the prior year;
- Carrying value of stock at the year-end of £1.38 million (FY2018: £3.16 million) includes a £0.04 million revaluation adjustment to reduce the carrying value of a number of the coins in the portfolio;
- Cash at the year-end of £0.82 million (FY2018: £1.14 million);
- Reduction in annual administrative expenses of 6.8% when compared to the prior year;
- £1.97 million of cash returned to shareholders through the repurchase and cancellation of approximately 12.3 million Ordinary Shares; and
- Net asset value per share decreased to 16.85 pence as at 31 March 2019 (FY2018: 17.0 pence).

Avarae's Investments

Sales

During the year, the Company made steady progress in the controlled reduction of its coin portfolio, in the majority of cases, securing sales of coins in excess of their carrying values.

Not unexpectedly, the Company's sales of £1.91 million in the year to 31 March 2019 were down on the £2.60 million achieved in the previous year, reflecting the Company's lower stock balances held than at the beginning of the prior year. The Company generated a trading gross profit of £0.08 million in FY2019 (FY2018: £0.24 million), which excludes the effect of the coin revaluation. The majority of this decrease was attributable to fewer coins being sold in the year (105 vs 200) and a lower gross profit margin (4.2% vs 9.1%) when compared to FY2018. At the year end, the Company's portfolio of coins had reduced to 176 coins.

Directors' Report (continued)

Avarae's Investments (continued)

Breakdown of our Portfolio

English, English milled and hammered and Anglo Gallic coins continue to represent the majority of the Company's portfolio, with holdings of Islamic coins also representing significant proportions of the stock at approximately 20% of the portfolio. In total, Avarae holds coins from 13 different regions and nationalities, demonstrating its genuine global exposure. The Company made no coin purchases in the year under review.

Financial Results

As at 31 March 2019, in line with prior years, the Company's numismatic advisory panel undertook a detailed revaluation of its coin portfolio. This exercise is intended to smooth out the effect of long-term changes in a coins' 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 its revalued amount. 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.

The result of the 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 2019 was reduced only marginally to £1.38 million (2018: £3.16 million), following a reduction of £0.03 million (2018: increase of £0.03 million). At the year end, the coin portfolio comprised of coins purchased with an aggregate cost of £1.20 million (2018: £2.68 million) and a revaluation amount of £0.18 million (net of VAT payable on sale) (2018: £0.48 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 under review of approximately £0.19 million, a reduction of 6.82% on that recorded in FY2018 of £0.21 million. The Directors continue to strive to keep the Company's operating costs at as low a level as possible, notwithstanding the relative increase in levels of transactions due to the Company's ongoing programme of controlled disposals of its coin portfolio.

The Company generated a net loss for the year of £0.14 million (2018: profit of £0.06 million), delivering losses per share of (0.68)p (2018: earnings per share of 0.10p).

The Company ended the year with a net cash balance of approximately £0.82 million compared to £1.14 million reported at the end of March 2018. The lower cash balance was to be expected following £1.97 million being returned to shareholders during the year via the tender offer in November 2018. At the date of this report, the Company's cash balances stood at approximately £0.85 million.

Directors' Report (continued)

Financial Results (continued)

At the year end, the Company had net assets of £2.19 million (2018: £4.30 million) and no borrowings. The Company's net asset value per share ("NAV") as at 31 March 2019 was 16.85 pence (2018: 17.0 pence). The principal reason for the decrease was due to a lower gross margin achieved during the year, together with the annual revaluation exercise on the individual stock values, which resulted to a stock value reduction of £0.03 million (2018: increase of £0.03 million).

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 at least one further buy-back 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.

Tender Offers

Having completed two tender offers in the prior financial year, on 31 October 2018 the Company made a tender offer to its shareholders at 16.0 pence per share, the result of which was that 12,305,108 Ordinary Shares were validly tendered by shareholders. These Ordinary Shares, which were purchased by the Company and cancelled, represented 48.63% of the Company's then issued share capital. As at 31 March 2019, the Company had 13,000,000 Ordinary Shares in issue.

In accordance with the Board's strategy to return cash to Shareholders, at least one further buyback is 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

The Company is expected to continue to generate positive cash returns through the orderly liquidation of its coin portfolio in order to maximise shareholder value.

The Company's current intention is to divest all its remaining stock before the end of the next financial year and then liquidating the Company, conditional upon shareholder approval.

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

Rosaline Melia
Matthew Wood
Clement Chambers

Alan Molloy
Laurence Gergel

14 June 2019

Directors' Report (continued)

Incorporation

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

The Company is a private limited company, which is limited by shares and domiciled in the Isle of Man.

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.

Historically, 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 whilst its shares were admitted to trading on the AIM Market of the London Stock Exchange between 2006 and 2016. The directors have continued to apply this reporting framework in the 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 are 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 to return capital to shareholders in a cost-effective manner through the orderly divesting of its coin portfolio.

Results

The loss for the year ended 31 March 2019 of £143,000 (2018: profit of £60,000) has been transferred to reserves.

AVARAE GLOBAL COINS PLC
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

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 (*resigned on 1 May 2018*)
Clement Chambers
Matthew Wood
Alan Molloy
Laurence Gergel
Rosaline Melia (*appointed on 1 May 2018*)

The remuneration of the Directors of the Company is set out in Notes 4 and 13 to the accounts.

Substantial Shareholdings

As at 31 March 2019 and at the date of this report, the issued share capital of the Company was 13,000,000 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	28.34
HSBC Global Custody Nominee	19.84
Pershing Nominees Limited	15.77
Rulegale Nominees Limited	7.06
Hargreaves Lansdown Nominees Limited	3.41
Dartington Portfolio Nominees Limited	3.30
Cheviot Capital (Nominees) Ltd	3.08
Redmayne Nominees Limited	3.07

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.

As at the date of this report, the Board comprises five directors, two based in the Isle of Man, Rosaline Melia and Alan Molloy, two based in the UK, Matthew Wood and Laurence Gergel, and one based in Monaco, Clement Chambers. R. Melia is the executive director and Messrs Wood, Molloy, Chambers and Gergel are non-executive directors.

The board considers each of the non-executive directors to be independent, save for Mr Gergel, who is a representative of the Company's largest shareholder Montoya Investments Limited. 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 Director's 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 – its 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 2019, 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 through 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, Cayman National Trust Company Limited ("Cayman"), is responsible for maintaining the Company's registers, other than the register of members which is maintained by the Company's 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.

The Annual Report is sent to Shareholders within 6 months of the Company's financial year end and is available on the Company's website. The Company intends to hold an annual general meeting in 2019 and further details will be made available to shareholders in due course.

AVARAE GLOBAL COINS PLC
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

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.

APPROVED BY THE BOARD OF DIRECTORS

14 June 2019

Matthew Wood

Report of the Independent Auditors, Baker Tilly Isle of Man LLC, to the Members of Avarae Global Coins plc

Opinion

We have audited the financial statements of Avarae Global Coins Plc for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019, and of the Company's results for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union

Emphasis of Matter - Coin Portfolio

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in the financial statements concerning the valuation of the coin portfolio. As detailed in note 7, the carrying value of the coins in the Company's Statement of Financial Position is based on a revaluation by an industry expert at 31 March 2019 with the values of any coins sold subsequent to the year end and up to the date of this report being adjusted to reflect the value at which they were sold. Realisation of this value is entirely dependent on market conditions which may differ materially from the amount which they are stated at in the financial statements. Our opinion is not qualified in this respect.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Report of the Independent Auditors, Baker Tilly Isle of Man LLC, to the Members of Avarae Global Coins plc (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report of the Independent Auditors, Baker Tilly Isle of Man LLC, to the Members of Avarae Global Coins plc (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AVARAE GLOBAL COINS PLC
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

Report of the Independent Auditors, Baker Tilly Isle of Man LLC, to the Members of Avarae Global Coins plc (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with the terms of our engagement letter dated 2 May 2019. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

Baker Tilly Isle of Man LLC
Chartered Accountants
P O Box 95
2a Lord Street
Douglas
Isle of Man
IM99 1HP

Date: 14 June 2019

AVARAE GLOBAL COINS PLC
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

Statement of Comprehensive Income for the year ended 31 March 2019

	<i>Note</i>	Year ended <i>31-Mar-19</i> £'000	Year ended <i>31-Mar-18</i> £'000
Revenue			
Sales	2	1,911	2,603
Cost of sales		(1,831)	(2,365)
Coin revaluation	7	(32)	27
		-----	-----
Gross profit		48	265
		-----	-----
Administrative expenses		(191)	(205)
		-----	-----
(Loss)/Profit on ordinary activities before tax:		(143)	60
Tax on (losses)/ profit on ordinary activities	5	-	-
		-----	-----
Total (loss)/ profit on ordinary activities after taxation		(143)	60
		-----	-----
Total comprehensive (loss)/income		(143)	60
		-----	-----
(Losses)/Earnings per share (basic and diluted)	6	(0.68)p	0.10p

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 2019

Statement of Financial Position as at 31 March 2019

	<i>Note</i>	<i>As at 31-Mar-19 £'000</i>	<i>As at 31-Mar-18 £'000</i>
Assets			
Current Assets			
Coin inventory	7	1,377	3,163
Trade and other receivables	8	17	32
Cash and cash equivalents	12	822	1,139
		<hr/>	<hr/>
Total assets		2,216	4,334
		<hr/>	<hr/>
Liabilities and equity			
Trade and other payables: amounts falling due within one year	9	24	31
		<hr/>	<hr/>
Total Liabilities		24	31
		<hr/>	<hr/>
Equity			
Called up equity share capital	11	130	253
Share premium	11	-	1,702
Profit and loss account		2,062	2,348
		<hr/>	<hr/>
Total Equity Shareholders' Funds		2,192	4,303
		<hr/>	<hr/>
Total Liabilities and equity		2,216	4,334
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 14 June 2019 and were signed on their behalf by:

Matthew Wood

Rosaline Melia

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 2019

Statement of Cash Flows for the year ended 31 March 2019

	Note	<i>Year ended 31-Mar-19 £'000</i>	<i>Year ended 31-Mar-18 £'000</i>
Cash flows from operating activities:			
(Loss)/Profit on ordinary activities for the year		(143)	60
Adjustments for:			
(Decrease)/increase in payables		(7)	4
Decrease in receivables		15	17
Decrease in inventory		1,786	2,138
Net cash flow from operations		<u>1,651</u>	<u>2,219</u>
Cash flows from financing activities			
Purchase of own ordinary shares		(1,968)	(6,093)
Net cash from financing activities		<u>(1,968)</u>	<u>(6,093)</u>
Net decrease in cash and cash equivalents		(317)	(3,874)
Opening cash position		1,139	5,013
Cash and cash equivalents at 31 March	12	<u>822</u>	<u>1,139</u>

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 2019

Statement of Changes in Equity for the year ended 31 March 2019

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
As at 1 April 2017	670	7,378	2,288	10,336
Comprehensive income for year				
Profit for the year	-	-	60	60
Transactions with owners recorded directly in equity				
Purchase of own ordinary shares	(417)	(5,676)	-	(6,093)
At 31 March 2018	253	1,702	2,348	4,303
Comprehensive income for year				
Loss for year	-	-	(143)	(143)
Transactions with owners recorded directly in equity				
Purchase of own ordinary shares	(123)	(1,702)	(143)	(1,968)
At 31 March 2019	130	-	2,062	2,192

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

Notes to the Financial Statements for the year ended 31 March 2019

(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 9	<u>Financial Instruments</u> Amendments regarding prepayment features with negative compensation and modifications of financial liabilities Applies to Annual periods beginning on or after 1 January 2018
IFRS 15	<u>Revenue from Contracts with Customers</u> Clarifications to IFRS 15 Applies to Annual periods beginning on or after 1 January 2018

The following standards, amendments and interpretations have been issued but are not effective for the period commencing 1 April 2018 and have not been early adopted by the Company. The impact of adopting these new standards and interpretations is not known.

IFRS 16	<u>Leases</u> Amendments eliminating the classification of leases as either operating or finance leases, introducing a single lessee accounting model where the entity is required to recognise assets and liabilities for all material assets. Applies to Annual periods beginning on or after 1 January 2019
IAS 19	<u>Employee Benefits</u> Amendments regarding plan amendments, curtailments or settlements Applies to Annual periods beginning on or after 1 January 2019
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 Applies to Annual periods beginning on or after 1 January 2019

Notes to the Financial Statements for the year ended 31 March 2019

(1) Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the sale of individual coins or collections of coins, accounted for on an accruals basis, net of applicable sales tax. Any sales made at auction are also accounted for net of any incidental auction costs incurred.

Contracts and obligation

When the sale of a coin has been agreed with the customer, the implied customer contracts consist of the sale of coins that the Company provides to the customer.

The sale of coins is the only performance obligation for all sales. Revenue from the sale of coins is recognised in full when supplied to the customer.

Determining the transaction price

The transaction price is determined as the fair value that the Company expects to receive when the sale is agreed with the customer.

Allocate the transaction price to the performance obligations in the contract

The allocation of the transaction price to the performance obligations in the contract is non-complex for the Company. There is an agreed price for each coin sold and therefore, there is limited judgement involved in allocating the contract price to each coin purchased.

Recognise revenue when or as the entity satisfies its performance obligations

The overarching terms are consistent in each contract. The sale of coins is seen as the only performance obligation and revenue is recognised, when supplied to the customer.

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.

Expected credit losses

Expected credit losses are shown in note 8. ECLs are determined based on historical data available to management in addition to forward looking information utilising management knowledge. Adequate information exists to support the recoverability of the net receivables balance.

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REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

Notes to the Financial Statements for the year ended 31 March 2019

(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-19</i> <i>£'000</i>	<i>Year ended</i> <i>31-Mar-18</i> <i>£'000</i>
UK	1,095	1,730
International		
Canada	57	14
Switzerland	211	105
Japan	-	2
Middle East	28	4
USA	391	432
Germany	11	13
The Netherlands	49	-
Norway	60	-
Australia	-	99
South Africa	-	193
Hong Kong	-	5
India	-	6
Channel Islands	9	-
	<hr/>	<hr/>
Total Sales	1,911	2,603
	<hr/>	<hr/>

(3) Profit for the year

The profit for the year is stated after charging the following:

	<i>Year ended</i> <i>31-Mar-19</i> <i>£'000</i>	<i>Year ended</i> <i>31-Mar-18</i> <i>£'000</i>
Auditors remuneration – Audit	8	8
Foreign exchange loss	4	15

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Notes to the Financial Statements for the year ended 31 March 2019

(4) Staff costs

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

	<i>Year ended</i> <i>31-Mar-19</i> <i>£'000</i>	<i>Year ended</i> <i>31-Mar-18</i> <i>£'000</i>
Matthew Wood	15	15
Clem Chambers	13	12
Jason Harrison (<i>resigned 13 December 2017</i>)	-	3
Alan Molloy	5	4
Laurence Gergel	1	1
Nigel Gautrey (<i>resigned 28 July 2017; reappointed 13 December 2017; resigned 1 May 2018</i>)	-	2
Rosaline Melia (<i>appointed 1 May 2018</i>)	3	-

The Directors provided their services under contracts as detailed in the Related Party Transactions (Note 13).

In the Company's report and accounts for the year ended 31 March 2018, the Company had accrued Director's fees of £1,667 in respect of Nigel Gautrey's directorship of the Company between 13 December 2017 and 1 May 2018. These fees were subsequently waived in the year under review.

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

(5) 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% (2018: 0%), which took effect from 6 April 2006.

	<i>Year ended</i> <i>31-Mar-19</i> <i>£'000</i>	<i>Year ended</i> <i>31-Mar-18</i> <i>£'000</i>
(Loss)/Profit before tax	(143)	60
Isle of Man tax at 0%	-	-
Tax expense for the year	-	-

Notes to the Financial Statements for the year ended 31 March 2019

(6) Earnings per share

The losses per share (basic and diluted) for the year ended 31 March 2019 were (0.68)p (2018: earnings per share of 0.10p). The calculation of losses per share is based on the loss of £143,000 (2018: profit of £60,000) for the year and the weighted average number of shares in issue being 20,956,180 (2018: 60,372,145).

(7) Coin inventory

	<i>As at 31-Mar-19 £'000</i>
Coins	
At Cost	
At 01 April 2018	2,679
Additions	-
Disposal of coins	(1,478)
At 31 March 2019	1,201
Revaluation	
At 01 April 2018	484
Revaluation for the year	(32)
Disposal of coins	(276)
At 31 March 2019	176
Net book values	
At 31 March 2019	1,377
At 31 March 2018	3,163

At the year end, the Company's coin portfolio was revalued by an industry expert from its numismatic advisory panel to its expected market value as at 31 March 2019 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 the 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 £1,377,467 (2018: £3,163,382) is carried at fair value.

The purchase cost of inventory held at 31 March 2019 was £1,200,376 (2018: £2,678,664). 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.

AVARAE GLOBAL COINS PLC
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Notes to the Financial Statements for the year ended 31 March 2019

(8) Trade and other receivables

	<i>As at</i> <i>31-Mar-19</i> <i>£'000</i>	<i>As at</i> <i>31-Mar-18</i> <i>£'000</i>
Trade receivables	-	5
Other receivables	6	11
Prepaid expenses	11	16
	17	32

Analysis of trade receivables (debtor days)

	<i><30</i>	<i>31 – 60</i>	<i>61 -90</i>	<i>> 90</i>	Total Gross	ECL	Total Net
2019	-	-	-	-	-	-	-
2018	-	5	-	-	5	-	5

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The Company measures ECL based on historical data available to management in addition to current and forward-looking information utilising managements knowledge of their customers. Based on the analysis performed there is no material impact on the transition to ECL.

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

(9) Trade and other payables

	<i>As at</i> <i>31-Mar-19</i> <i>£'000</i>	<i>As at</i> <i>31-Mar-18</i> <i>£'000</i>
Trade payables	5	12
Accrued expenses	19	19
	24	31

All payables are due within one year.

Notes to the Financial Statements for the year ended 31 March 2019

(10) 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. 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 2019 £'000</i>	<i>Carrying amount 2018 £'000</i>
Trade receivables	-	5
Cash at bank	822	1,139
	<hr/>	<hr/>

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 2019

(10) 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 7, 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/trade and other 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-19 £'000</i>	<i>As at 31-Mar-18 £'000</i>
Level 1:		
Cash and cash equivalents	822	1,139
	<hr/>	<hr/>
Level 2:		
Coin Portfolio	1,377	3,163
	<hr/>	<hr/>
Level 3:		
Trade and other receivables	17	32
Trade and other payables	24	31
	<hr/>	<hr/>

Capital Disclosures

The Company monitors capital which comprises all components of equity (i.e. share capital, share premium and retained earnings).

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- to provide an adequate return to shareholders by pricing coins commensurately with the level of risk.

AVARAE GLOBAL COINS PLC
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Notes to the Financial Statements for the year ended 31 March 2019

(11) Share capital

	<i>2019</i> Number	<i>2019</i> £'s	<i>2018</i> Number	<i>2018</i> £'s
Authorised				
Ordinary Shares of £0.01 each	200,000,000	2,000,000	200,000,000	2,000,000
Allotted, called up and fully paid				
At 1 April	25,305,108	253,051	67,035,118	670,351
Purchase of own shares for cancellation	(12,305,108)	(123,051)	(41,730,010)	(417,300)
As at 31 March	13,000,000	130,000	25,305,108	253,051

During the year ended 31 March 2019, the Company carried out a single tender offer for a repurchase and subsequent cancellation of its ordinary share capital.

In November 2018, the Company purchased 12,305,108 ordinary shares at 16.0p each for a total consideration of £1,968,817 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.

The Company's share premium was eliminated in the year under review via the repurchase of 12,305,108 shares in November 2018.

(12) 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-19</i> £'000	<i>As at</i> <i>31-Mar-18</i> £'000
Cash on hand and balance with bank	822	1,139

Notes to the Financial Statements for the year ended 31 March 2019

(13) Related party transactions

Nigel Gautrey was a director of the Company until he resigned in May 2018. He is also a director of Cayman National Trust Company (“Cayman”), the Company’s administrator in the Isle of Man. In May 2018, Nigel was replaced as a director of the Company by Rosaline Melia, also a director of Cayman. The Company incurred administration fees of £21,500 (2018: £8,000) from Cayman during the year, in addition to which, a further £3,333 (2018: £1,667) was in respect of the annual responsibility fee, which covers the provision of resident statutory services. The annual responsibility fee for the year included a reversal of an over accrual of £1,667 for fees incurred in FY2018.

Matthew Wood is a director of ONE Advisory Limited (“ONE”). Fees for financial, corporate, accounting and investor relations services of £61,536 (2018: £61,118) were invoiced by ONE during the year ended 31 March 2019. Of this amount, £4,000 was incurred by the Company with respect to the November 2018 tender offer (2018: £8,800). As at 31 March 2019, £5,298 was owing to ONE (2018: £9,988).

Matthew Wood’s services to the Company are supplied through ABT Associates Limited which invoiced the Company £14,700 (2018: £14,700) for services during the year under review.

In addition to his director’s fees of £12,600 (2018: £12,074), Clement Chambers received £3,150 (2018: £2,361) to sit on the Company’s numismatic advisory panel. At the year-end Mr Chambers’ combined fees outstanding were £Nil (2018: £Nil).

Mr Ian Goldbart, who is a substantial shareholder of the Company, owning 14.7% of the Company’s issued share capital at the year-end is also the majority shareholder and a director of Sovereign Rarities Limited (“Sovereign”), a numismatic trading company engaged by the Company. The majority of the Company’s sales of £1.91 million in the year ended 31 March 2019 were either to Sovereign directly or to numismatists or coin dealers introduced by Sovereign. The Company sold coins to Sovereign during the year to the value of £996,083 (2018: £953,880) and purchased coins from Sovereign totalling £Nil (2018: £Nil). As at 31 March 2019, Sovereign owed the Company £Nil (2018: £4,423). 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.

Commission due to Sovereign for sales to third parties introduced by Sovereign totalled £74,536 (2018: £197,838) for the year ended 31 March 2019, all of which had been paid to Sovereign at the date of this report.

At the end of each financial year, the individual coin values are independently assessed and approved by the Company’s Advisory Panel (“Panel”) in the revaluation exercise. The members of the Panel are Sir John Wheeler and Clement Chambers. It is the Directors intention that coins sold by Avarae, including those to Sovereign, are sold at or above their respective revalued amount.

Notes to the Financial Statements for the year ended 31 March 2019

(14) Commitments under operating leases

At 31 March 2019, the Company had no commitments under operating leases (2018: £nil).

(15) Capital commitments

At 31 March 2019, the Company had no capital commitments (2018: £nil).

(16) Subsequent events

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

(17) 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.

(18) Contingent Liability

The Company intends to divest all remaining stock and liquidate the Company upon Shareholder approval. As there is only a possible rather than probable chance of this occurring in the next financial period, no provision for the liquidation fees have been accrued in the accounts.