

COLLECTORS UNIVERSE INC
Form 10-K/A
January 19, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

ý

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2004

OR

q

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____
Commission file number 0-27887

COLLECTORS UNIVERSE, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)
1921 E. Alton Avenue, Santa Ana, California
(Address of principal executive offices)

33-0846191
(I.R.S. Employer Identification No.)
92705
(Zip Code)

(949) 567-1234
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$.001 per share

Indicate, by check mark, whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO []

Indicate, by check mark, if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Securities Exchange Act Rule 12b-2). Yes [] NO [X]

As of December 31, 2003, the aggregate market value of the Common Stock held by non-affiliates was approximately \$41,017,000 based on the per share closing price of \$10.38 of Registrant's Common Stock as of such date as reported by the Nasdaq Stock Market.

As of September 10, 2004, a total of 6,338,000 shares of Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Except as otherwise stated herein, Items 10, 11, 12, 13 and 14 in Part III of the Form 10-K are incorporated by reference from Registrant's Definitive Proxy Statement, which is expected to be filed with the Securities and Exchange Commission on or before October 28, 2004, for its Annual Meeting of Stockholders to be held on December 6, 2004.

EXPLANATORY NOTE

Background

In the fiscal year ended June 30, 2003 (fiscal 2003) , we adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, and in our statement of operations for that year we recorded an after-tax, non-cash charge of \$8,973,000, or \$1.45 per share, as the cumulative effect of an accounting change resulting from the recognition, in accordance with SFAS No. 142, of a substantial impairment of goodwill in that year.

In our fiscal 2003 statement of operations, that was included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2004 (2004 10-K), \$8,917,000 of that cumulative effect of accounting change was included in the loss from discontinued operations because that amount was attributable to our discontinued collectibles sales businesses.

Amendment of 2004 10-K

Reason for Amendment. It has been determined that the amount of the cumulative effect of accounting change attributable to our discontinued operations in fiscal 2003 should not have been included as part of the loss from discontinued operations for that year; but, instead, should have been presented on the face of the 2003 statement of operations in our 2004 10-K, as the cumulative effect of an accounting change, substantially as it was reported in our 2003 10-K.

Changes Made to Statement of Operations for the Fiscal Year Ended June 30, 2003. As a result, we are filing this Amendment No. 1, on Form 10-K/A, to our 2004 10-K to restate: (i) the previously reported fiscal 2003 loss from discontinued operations, excluding the cumulative effect of accounting change attributable to those operations, and (ii) the cumulative effect of accounting change in fiscal 2003 to include the \$8,917,000 that was attributable to our discontinued operations.

No Effect on Previously Reported Net Income (Loss) in Fiscal 2003 or on Previously Reported Fiscal 2004 Results of Operations. This restatement in our fiscal 2003 statement of operations had no effect on either: (i) our previously reported net income (loss) for the fiscal year ended June 30, 2003, or (ii) our results of operations or net income for the fiscal year ended June 30, 2004 as previously reported in our 2004 10-K.

Other Changes

We have reclassified certain expenses attributable to our authentication and grading operations from selling, general and administrative (SG&A) expenses to cost of revenues in our consolidated financial statements for the fiscal years ended June 30, 2004, 2003 and 2002 to conform to the classification used beginning in fiscal year ending June 30, 2005.

Generally, no attempt has been made in this Form 10-K/A to modify or update disclosures presented in the original report on Form 10-K, except as required to reflect the effects of the above-described restatement of the loss from discontinued operations and the cumulative effect of accounting change in fiscal 2003 and the reclassification. Accordingly, (i) only the information called for by the Items of Form 10-K identified below, as amended by this Form 10-K/A, the Auditor's Consent being filed as Exhibit 23.1, and the CEO and CFO Certifications filed as Exhibits 31.1, 31.2, 32.1 and 32.2, are included in this Form 10-K/A, and (ii) the Form 10-K/A also generally does not reflect events that have occurred after the filing of the Form 10-K on September 27, 2004. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the Securities and Exchange Commission made subsequent to the filing of the original Form 10-K.

The following Items in our 2004 10-K have been amended as a result of the restatement and reclassification:

The following Items in our 2004 10-K have been amended as a result of the restatement and reclassification:

Part II Item 6 Selected Financial Data

Part II Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Part II Item 8 Financial Statements and Supplementary Data

Part II Item 9A Controls and Procedures

Exhibit 23.1 Consent of Independent Public Accounting Firm

COLLECTORS UNIVERSE, INC.**FORM 10-K/A****FOR THE FISCAL YEAR ENDED JUNE 30, 2004****TABLE OF CONTENTS**

PART II			Page
	Item 6.	Selected Consolidated Financial Data	1
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	3
	Item 8.	Financial Statements and Supplementary Data	15
		Report of Independent Registered Public Accounting Firm	16
		Consolidated Balance Sheets at June 30, 2004 and 2003	17
		Consolidated Statements of Operations for the Years ended June 30, 2004, 2003 (Restated) and 2002	18
		Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2004, 2003 and 2002	19
		Consolidated Statements of Cash Flows for the Years Ended June 30, 2004, 2003 and 2002	20
		Notes to Consolidated Financial Statements for the Years Ended June 30, 2004, 2003 and 2002	22
	Item 9A	Controls and Procedures	41
PART IV	Item 15 (a) (2)	Financial Statement Schedule: Schedule II Valuation and Qualifying Accounts	42
SIGNATURES			S-1
INDEX TO EXHIBITS			E-1
	Exhibit 23.1	Consent Of Independent Registered Public Accounting Firm	
	Exhibit 31.1	Certifications Of Chief Executive Officer Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002	
	Exhibit 31.2	Certifications Of Chief Financial Officer Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002	
	Exhibit 32.1	Certification Of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
	Exhibit 32.2	Certification Of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

PART II
ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected operating data for the fiscal years ended June 30, 2004, 2003 and 2002, and the selected balance sheet data at June 30, 2004 and 2003, that are set forth below are derived from the Company's audited consolidated financial statements included elsewhere in this Report. The selected operating data for the fiscal years ended June 30, 2001 and 2000 and the related balance sheet data at June 30, 2002, 2001 and 2000 were derived from audited consolidated financial statements that are not included in this Report. The following data should be read in conjunction with our consolidated financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included below in this Report.

As discussed in Part I of this Report, under the caption "Recent Developments - Disposition of Collectibles Sales Businesses," in December 2003 the Company approved, and during the balance of fiscal 2004 implemented, a plan to dispose of its collectibles sales businesses. As a result, the consolidated selected financial data set out below for the five years ended June 30, 2004 have been restated to classify the assets and related liabilities of those businesses as held for sale and the related operating results as discontinued operations. Therefore, for fiscal years 2000 through 2003, the loss from discontinued operations reflects the after-tax results of operations of these businesses in those years. In fiscal 2004, the loss from discontinued operations reflects the after-tax results of operations for these businesses through the respective dates of their disposal, plus any gain or loss recognized on the disposal of those businesses.

1

	Years Ended June 30, ⁽¹⁾				
	2004	2003 (As Restated) *	2002	2001	2000
Consolidated Statement of Operations Data:					
	(in thousands, except per share data)				
Net revenues	\$ 26,420	\$ 20,337	\$ 18,635	\$ 21,373	\$ 24,467
Cost of revenues	10,322	8,754	7,935	8,929	7,472
Gross profit	16,098	11,583	10,700	12,444	16,995
Selling, general and administrative expenses	11,829	11,486	11,884	11,044	9,238
Amortization of goodwill	-	-	90	60	58
Impairment of goodwill	-	6	51	-	-
Operating income (loss)	4,269	91	(1,325)	1,340	7,699
Interest income, net	135	94	191	855	713

Edgar Filing: COLLECTORS UNIVERSE INC - Form 10-K/A

Other income (expense), net	(25)	(6)	(20)	(34)	(161)
Income (loss) before provision (benefit) for income taxes	4,379	179	(1,154)	2,161	8,251
Provision (benefit) for income taxes	1,581	(557)	(502)	949	3,428
Income (loss) from continuing operations	2,798	736	(652)	1,212	4,823
Loss from discontinued operations net of gain on sales of discontinued businesses					
(net of income taxes)	(1,068)	(2,202)	(1,858)	(1,861)	(3,281)
Cumulative effect of accounting change (net of income taxes)	-	(8,973)	-	-	-
Net income (loss)	\$ 1,730	\$ (10,439)	\$ (2,510)	\$ (649)	\$ 1,542

Net income (loss) per basic share: ⁽²⁾

Income (loss) from continuing operations	\$ 0.45	\$ 0.12	\$ (0.10)	\$ 0.19	\$ 0.83
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	(0.17)	(0.35)	(0.30)	(0.29)	(0.57)
Cumulative effect of accounting change (net of income taxes)	-	(1.45)	-	-	-
Net income (loss)	\$ 0.28	\$ (1.68)	\$ (0.40)	\$ (0.10)	\$ 0.26

Net income (loss) per diluted share:
⁽²⁾

Income (loss) from continuing operations	\$ 0.44	\$ 0.12	\$ (0.10)	\$ 0.19	\$ 0.78
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	(0.17)	(0.35)	(0.30)	(0.29)	(0.53)
Cumulative effect of accounting change (net of income taxes)	-	(1.43)	-	-	-
Net income (loss)	\$ 0.27	\$ (1.66)	\$ (0.40)	\$ (0.10)	\$ 0.25

Weighted average shares
outstanding: ⁽²⁾

Basic	6,170	6,205	6,347	6,279	5,833
Diluted	6,463	6,294	6,347	6,408	6,144

Balance Sheet Data:

Cash and cash equivalents	\$ 21,454	\$ 4,482	\$ 4,947	\$ 5,874	\$ 14,580
Working capital - continuing operations	22,308	4,566	5,621	7,943	14,427
Working capital - discontinued operations	991	13,803	13,732	12,682	5,971
Total assets - continuing operations	32,690	15,926	11,503	13,588	21,073
Total assets - discontinued operations	1,384	16,365	34,006	33,281	35,159
Stockholders' equity	29,366	26,319	37,128	39,550	41,114

* The consolidated statement of operations for 2003, from which the 2003 statement of operations data has been derived, has been restated to reclassify \$8,917,000 from loss from discontinued operations to cumulative effect of accounting change. See note 15 to the consolidated financial statements for further discussion.

1. Prior to fiscal 2003 the Company's fiscal year ended on the Saturday closest to June 30 and, as a result, fiscal 2002 ended on June 29, 2002. Beginning with fiscal 2003 the Company changed its fiscal year end to June 30. For clarity of presentation, fiscal 2002 is reported as having ended on June 30.
2. Per share data and weighted average shares outstanding in fiscal 2002, 2001 and 2000 have been retroactively adjusted for a 1-for-4 reverse stock split of our outstanding shares, which was effectuated on December 9, 2002.

2

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Selected Consolidated Financial Data" and the Company's consolidated financial statements and related notes included elsewhere herein. The consolidated statements of operations for 2003 has been restated to reclassify the cumulative effect of an accounting change associated with discontinued operations of \$8,917,000 from loss from discontinued operations to cumulative effect of accounting change. See note 15 to the consolidated financial statements for further discussion. As also discussed in Note 15 to the consolidated financial statements, the Company has reclassified certain amounts directly related to providing grading and authentication services from general and administrative expenses to cost of revenues to conform to the classifications used beginning in the fiscal year ending June 30, 2005. The accompanying management's discussion and analysis of financial condition and results of operations gives effect to this restatement and expense reclassification.

Introduction and Overview

Collectors Universe Inc. (the "Company") provides grading and authentication and other services to dealers and collectors of high-end collectible coins, sports cards, stamps, sports and entertainment memorabilia, and autographs that we believe adds value to those collectibles by enhancing their marketability and, thereby, providing increased liquidity to the dealers and collectors that own and buy and sell such collectibles.

We principally generate revenues from the fees paid by dealers and collectors for our authentication and grading services. To a much lesser extent, we generate revenues from the sale of advertising on our websites; the sale of printed publications and collectibles price guides and advertising in such publications; and the sale of historical data and information about the collectibles graded and authenticated by us that we believe facilitates commerce in those collectibles.

During the period from 1999 through the latter part of fiscal 2004, we also were engaged in the business of marketing and selling collectible coins, sports cards and sports entertainment and historical memorabilia. Most of those sales were made at multi-venue auctions that were conducted by our collectibles sales divisions, which were comprised of Bowers and Merena Galleries and Kingswood Coin Auctions for rare coins, Superior Sports Card Auctions for vintage

sportscards and sports memorabilia, and Odyssey for entertainment and historical memorabilia. We also sold collectible coins, at retail, by direct sales methods.

At the authorization of the Company's Board of Directors, in December 2003 we adopted a plan to focus our financial and managerial resources, and collectibles expertise, on the operations and growth of our grading and authentication and other collectibles service businesses, by divesting the collectibles auctions and direct sales businesses (which comprised our "collectibles sales segment"). The decision to implement this plan was based on a number of factors and considerations that included, among others, the historical operating results of the collectible sales and auction businesses, which had proved to be disappointing as compared to the operating results of our grading and authentication businesses; a lack of synergies between the collectibles sales and auction businesses and our grading authentication businesses, which made it difficult to achieve efficiencies in our operating expenses; and the additional capital that would be required to grow our auction and retail sales businesses in comparison to the lower capital requirements of our grading and authentication businesses. See BUSINESS--Recent Developments-Disposition of Collectibles Sales Businesses" in Part I of this Report.

Pursuant to that plan, during fiscal 2004 we sold the businesses that comprised our collectibles sales segment, including Bowers and Merena Galleries, Superior Sports Auctions, Kingswood Coin Auctions, Odyssey Publications and Lynn Knight Currency Auctions. We also terminated the licenses under which we operated our David Hall Rare Coins Division which had been engaged in the business of selling collectible coins at retail. Pursuant to the agreements pursuant to which those businesses were sold, we retained their collectibles inventories and their then outstanding accounts receivables, which are in the process of being liquidated.

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the assets and related liabilities of these businesses have been classified as held for sale, their related operating results have been classified as discontinued operations and prior period financial statements have been restated on that same basis. See "Selected Financial Data" and our consolidated financial statements contained in Part II of this Report.

Additionally, as a result of our divestiture of our auction and direct sales businesses, the discussion that follows focuses almost entirely on our grading and authentication businesses, which comprise our continuing operations.

Factors That Can Affect our Financial Position and Operating Results

Factors that Can Affect our Revenues and Cash Flows. Historically, the operations of our collectibles sales businesses caused significant fluctuations in our cash resources due primarily to the business cycle associated with the auctions conducted by those businesses. As a result of the disposition of those businesses, we do not expect to experience such fluctuations in future periods.

Additionally, the focus on the provision of grading and authentication and other valued added services is expected to give rise to more stable and more predictable cash flows. In fiscal 2004, 2003 and 2002, we generated cash of \$6,068,000, \$838,000 and \$1,877,000, respectively, from our continuing (grading and authentication) operations.

Additionally, during the fiscal year ended June 30, 2004, we generated cash of \$10,435,000 from the sale of our collectibles sales businesses and the liquidation of the inventories and accounts receivable of those businesses that we

had retained. As a result, at June 30, 2004 the remaining assets of those businesses, which we are in the process of liquidating, totaled approximately \$1,400,000.

Factors Affecting our Gross Profit Margins. The gross profit margins on grading submissions are affected by the mix of collectibles submitted for grading between (i) coins and sportscards and (ii) vintage or "classic" coins and sportscards, on the one hand, and modern coins and sportscards, on the other hand. Generally, the prices for grading and authentication of collectible coins are higher than those charged for the grading of sportscards. In addition, our prices for grading of collectible coins and sportscards vary depending on the "turn-around" time requested by our customers who submit collectibles to us for grading and authentication. As a general rule, customers request faster turn-around for vintage or classic coins and sportscards than they do for modern submissions.

Impact of Economic Conditions on Financial Performance. We generate substantially all of our revenues from the collectibles market, which primarily relies on discretionary consumer spending. As a result, our revenues sometimes decline and our operating result can be adversely affected by recessionary economic conditions, which often result in a decline in sales of collectibles and which, in turn, can lead to a decline in grading submissions. On the other hand, conditions such as these, as well as price declines or volatility in the stock market, often lead investors to increase their purchases of precious metals, which can also lead to increases in submissions of such collectibles for grading. We believe that these market factors contributed to the increase in our grading and authentication revenues.

The following table provides information regarding the respective numbers of coins, sportscards, autographs and stamps that were graded or authenticated by us in the fiscal years ended June 30, 2004 and 2003 and their estimated values, which are the amounts at which those coins, sportscards and stamps were insured by the dealers and collectors who submitted them to us for grading and authentication.

	Units Processed				Declared Value (000)			
	2004		2003		2004		2003	
Coins	1,241,000	53%	917,000	46%	\$ 993,000	90%	\$ 769,000	90%
Sportscards	998,000	43%	1,058,000	53%	67,000	6%	72,000	8%
Autographs	68,000	3%	15,000	1%	31,000	3%	7,000	1%
Stamps	16,000	1%	12,000	0%	10,000	1%	8,000	1%
Total	2,323,000	100%	2,002,000	100%	\$ 1,101,000	100%	\$ 856,000	100%

Critical Accounting Policies and Estimates

General. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), we record certain assets at the lower of cost or fair value. In determining the fair value of certain of our assets, principally inventories, we must make judgments and estimates and assumptions regarding circumstances or trends that could affect the value of those assets, such as economic conditions or trends in those conditions that could impact our ability to realize the value of our inventories in future periods. Those judgments, estimates, and assumptions are made based on current information available to us at that time. Many of those conditions, trends and circumstances, however, are outside of our control and, if changes were to occur in the events, trends or other circumstances on which our judgments or estimates were based, or unanticipated events were to occur, we may be required under GAAP to adjust our earlier estimates that are affected by those changes. Changes in such estimates may require that we reduce the

carrying value of the affected assets on our balance sheet (which are commonly referred to as "write downs" of the assets involved).

It is our practice to establish reserves or allowances to record downward adjustments or "write-downs" in the carrying value of assets such as accounts receivable and inventory. Such write-downs are recorded as charges to income or increases in expense in our statement of operations in the periods when those reserves or allowances are established or increased to take account of changed conditions or events. With respect to other assets, such as goodwill, we write down their carrying value in the event of a permanent impairment as a charge to income. As a result, our judgments, estimates and assumptions about future events can, and will, affect not only the amounts at which we record such assets on our balance sheet, but also our results of operations.

The decisions as to the timing of adjustments or write-downs of this nature also require subjective evaluations or assessments about the effects and duration of events or changes in circumstances. For example, it is difficult to predict whether events, such as occurred on September 11, 2001 or increases in interest rates or economic slowdowns, will have short or longer term consequences for our business, and it is not uncommon for it to take some time after the occurrence of an event or the onset of changes in economic circumstances, for the full effects of such events or changes to be recognized. Therefore, management makes such estimates based upon the information available at that time and reevaluates and adjusts its reserves and allowances for potential write-downs on a quarterly basis.

Under GAAP, businesses also must make estimates or judgments regarding the periods during which, and also regarding the amounts at which, sales are recorded. Those estimates and judgments will depend on a number of factors, including whether the customers may be entitled to return the products or reject or adjust the payment for the services provided to them. Additionally, in the case of a business that grants its customers contractual rights to return products sold to them, GAAP generally will require that the business establish a reserve or allowance for product returns by means of a reduction in the amount at which its sales are recorded, based primarily on the nature, extent and duration of those rights and the historical product return experience.

In making our estimates and assumptions, we follow GAAP and accounting practices applicable to our business and those that we believe will enable us to make fair and consistent estimates of the fair value of assets and establish adequate reserves or allowances. Set forth below is a summary of the accounting policies that we believe are material to an understanding of our financial condition and results of operations.

Revenue Recognition Policies. Our grading customers generally prepay our grading and authentication fees when they submit their collectible items to us for grading and authentication. We record those prepayments as deferred revenue. Upon grading of the collectible and its shipment back to the customer, we record the revenue from the grading and authentication services rendered and deduct this amount from deferred revenue. For certain dealers to whom we extend open account privileges, we record revenue at the time of shipment.

Accounts Receivable and the Allowance for Doubtful Accounts. In the normal course of business, we extend payment terms to many of the larger, more creditworthy collectibles dealers who submit collectibles to us for grading and authentication on a recurring basis. We regularly review their accounts, estimate the amount of, and establish an allowance for uncollectible amounts in each reporting quarterly period. The amounts of such allowances are based on several factors, including the age and extent of significant past due accounts, and specific economic conditions that may affect the ability of account debtors to pay their accounts receivable balances. Estimates of uncollectible amounts are reviewed each quarter and, based on that review, are revised to reflect changed circumstances or conditions in the quarterly period they become known. For example, if the financial condition of certain dealers or economic conditions were to deteriorate, adversely affecting their ability to make payments on their accounts, increases in the allowance may be required. Since the allowance is created by recording a charge against income that is reflected in selling, general and administrative expenses, an increase in the allowance will cause a decline in our operating results in the period when the increase is recorded.

Inventory Valuation Reserve. Our collectibles inventories are valued at the lower of cost or market and have been reduced by an inventory valuation allowance to provide for declines in the value of those inventories. The amount of the allowance is determined on the basis of market knowledge, historical experience and estimates concerning future economic conditions that may impact the sale value of those inventories. If there is an economic downturn or there occurs other events or circumstances that are likely to make it more difficult to sell, or that would lead us to reduce the prices at which we are likely to be able to sell, those collectibles, it may become necessary to increase the allowance. Increases in this allowance will cause a decline in operating results as such increases are recorded by charges against income. Additionally, due to the relative uniqueness of some of the collectibles included in our collectibles inventory, valuation of such collectibles often involves judgments that are more subjective than more standards products sold by other businesses. As a result, there may be some instances when we are not able to identify a decline in the value of some collectibles until they are sold.

Long-Lived Assets and Goodwill. Long-lived assets such as property and equipment, goodwill and intangible assets are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable. Prior to fiscal 2003, estimated undiscounted future cash flows were used to determine if an asset was impaired and, if such a determination was made, the carrying value of the asset would be reduced to fair value. Any resulting impairment was recorded as a charge against income in the period in which the impairment was recorded. However, under Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, that was adopted by the Company in fiscal 2003, we are required to make goodwill impairment determinations on the basis of the fair values of the assets of our reporting units, as defined in SFAS No. 142, rather than on the basis of undiscounted cash flows.

In accordance with SFAS No. 142, we performed a transitional goodwill impairment test as of the beginning of fiscal 2003, the year of adoption of that new standard. We also performed an additional impairment test in June 2003. Those tests were conducted at a reporting unit level and compared each reporting unit's fair value to its carrying value. We first determined that Collectors Universe's reporting units were sub-units of its then two reportable segments: grading and authentication and collectibles sales. We then measured the value for each reporting unit on the basis of a weighted combination of valuation approaches, including discounted cash flows and multiples of sales and earnings before interest, taxes, depreciation and amortization. On the basis of these valuations for the transitional goodwill impairment test at the beginning of fiscal 2003 and the additional impairment test at June 30, 2003, we concluded that all our goodwill, which arose principally out of our acquisitions of our collectibles sales businesses, was impaired. As a result, at the beginning of fiscal 2003 we recorded a non-cash after-tax charge of \$8,973,000, as a cumulative change in accounting principle. In addition, we recorded a before tax impairment charge of \$1,471,000 relating to the June 30, 2003 impairment test, as part of the loss from discontinued operations, and a non-cash before tax impairment charge of \$6,000 in our statement of operations for fiscal 2003.

Grading Warranty Costs. We offer a warranty covering the coins and sportscards we authenticate and grade. Under the warranty, if any coin or sportscard that was previously graded by us is later submitted to us for re-grading and either (i) receives a lower grade upon that resubmittal or (ii) is determined not to have been authentic, we will offer to purchase the coin or sportscard or pay the difference in value of the item at its original grade as compared with its lower grade. However, this warranty is voided if the coin or sportscard, upon resubmittal to us, is not in the same tamper resistant holder in which it was placed at the time we last graded it. We accrue for estimated warranty costs based on historical trends and related experience. To date our reserves have proved to be adequate. However, if warranty claims were to increase in relation to historical trends and experience, we would be required to increase our

warranty reserves and incur additional charges that would adversely affect our results of operations in future periods.

Results of Operations

The following table sets forth certain financial data, expressed as a percentage of net revenues, derived from our statements of operations for the respective periods indicated below:

	Fiscal Years Ended June 30,		
	2004	2003	2002
Net revenues	100.0%	100.0%	100.0%
Cost of revenues	39.0%	43.0%	42.5%
Gross profit	61.0%	57.0%	57.5%
Operating expenses:			
Selling, general & administrative	44.8%	56.5%	63.8%
Amortization of goodwill	-	-	0.5%
Impairment of goodwill	-	-	0.3%
Total operating expenses	44.8%	56.5%	64.6%
Operating income (loss)	16.2%	0.5%	(7.1%)
Interest income, net	0.5%	0.5%	1.0%
Other, net	(0.1%)	-	(0.1%)
Income (loss) before provision (benefit) for income taxes	16.6%	1.0%	(6.2%)
Provision (benefit) for income taxes	6.0%	(2.7%)	(2.7%)
Income (loss) from continuing operations	10.6%	3.7%	(3.5%)
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	(4.0%)	(10.8%)	(10.0%)
Cumulative effect of accounting change (net of income taxes)	-	(44.1%)	-
Net income (loss)	6.6%	(51.2%)	(13.5%)

Net Revenues. Net revenues consist primarily of fees generated from the grading and authentication of sports cards, coins and stamps and, to a much lesser extent, revenues from the publication of collectibles magazines. Net revenues are determined net of discounts and allowances.

The following table sets forth our net revenues for the fiscal years ended June 30, 2004, 2003 and 2002 and the dollar amount of and the percentage increases in net revenues in fiscal 2004 and fiscal 2003, in each case as compared to the immediately preceding fiscal year:

2004	2003	Year Ended June 30,		
		(Dollars in thousands)		
		2002	2004 vs. 2003	2003 vs. 2002
			Increase (Decrease)	Increase (Decrease)

	Amount	Amount	Amount	Amount	Percent	Amount	Percent
Net revenues	\$ 26,420	\$ 20,337	\$ 18,635	\$ 6,083	29.9%	\$ 1,702	9.1%

The increase in net revenues in 2004, compared to 2003, was attributable a 16% increase in the volume of collectibles graded in fiscal 2004 and, more importantly, to a 35% increase in the number of coins graded in 2004 as compared to 2003, because the average of the fees paid for the grading of coins is higher than the average of the fees paid for the grading of sportscards and stamps. As a result, coins accounted for 53% of the total collectibles graded in fiscal 2004 as compared to 46% in fiscal 2003.

Consequently, while coins represented 53% of the total number of collectibles that were graded in 2004, coin grading generated 66% of the net revenues in 2004, as compared to 60% of net revenues in 2003. The increase in the demand for our coin grading services was largely attributable to two factors: (i) an increase in purchases and sales of collectible and gold bullion coins by investors, which we believe was due in large part to a shift by investors of some of their funds from marketable securities to tangible assets in response to continuing uncertainties in the stock markets, and (ii) new marketing programs that we initiated in fiscal 2004. Additionally, while the number of sportscards graded declined by 5.6% in fiscal 2004, as compared to 2003, sportscard grading revenues actually increased to \$7,126,000 in fiscal 2004, as compared to \$6,946,000 in fiscal 2003, because the increase in sportscards graded in fiscal 2003 was primarily attributable to a large bulk order for the grading of newly manufactured sportscards obtained from a leading sportscard

7

manufacturer in fiscal 2003, for which the average selling price was lower than for the grading of sportscards submitted by dealers and collectors.

The 9% increase in grading and authentication revenues in 2003, as compared to fiscal 2002, was due primarily to increases of 24% in coin grading submissions and 10% in sportscard grading submissions, as compared to 2002. However, the increase in sportscard submissions was offset somewhat by a 24% decline in the average price charged for sportscard grading in fiscal 2003, as compared to fiscal 2002, primarily as a result of the bulk submission of newly manufactured sportscards in fiscal 2003 and a reduction in submissions of higher value "vintage" sportscards, for which the average selling price is higher because dealers who submit vintage sportscards for grading usually request faster turn-around time than for lower value modern sportscards.

Gross Profit. Gross profit is calculated by subtracting the cost of revenues from net revenues. Cost of revenues consist primarily of labor to grade and authenticate coins, sportscards, autographs and stamps, production and printing costs, credit cards fees, warranty expense, and occupancy, security and insurance costs which directly relate to providing grading and authentication services. Gross profit margin is gross profit stated as a percent of net revenues.

	Fiscal Year Ended June 30,		
	(Dollars in thousands)		
	2004	2003	2002
Gross profit	\$ 16,098	\$ 11,583	\$ 10,700
Gross profit margin	61.0%	57.0%	57.5%

The increase in our gross profit margin in 2004, as compared to 2003, was due to a combination of factors, the most important of which consisted of (i) the increase in grading submissions of coins, on which we realize higher margins

than on submissions of other collectibles for grading, and (ii) an overall increase in net revenues (described above), which caused the fixed elements of our cost of revenues to represent a lower percentage of total revenues in 2004 as compared to 2003.

In fiscal 2003, the modest decline of 0.5% in our gross profit margin, as compared to 2002, was due to an increase in bulk sportscards grading submissions, on which we realized lower margins than on other submissions of sportscards.

Selling, General and Administrative. Selling, general and administrative ("SG&A") expenses primarily include wages and payroll-related expenses, advertising and promotional expenses, facility and security expenses, outside professional fees and service charges, travel-related expenses and other general administrative expenses.

	Year Ended June 30, (Dollars in thousands)		
	2004	2003	2002
SG&A expenses	\$ 11,829	\$ 11,486	\$ 11,884
As a percentage of net revenues	44.8%	56.5%	63.8%

Although the dollar amount of SG&A expense incurred in continuing operations increased by \$343,000 in 2004, as compared to 2003, such expenses decreased as a percentage of net revenues in fiscal 2004, primarily as a result of the nearly 30% increase in net revenues. Additionally, the mix of SG&A expenses changed in 2004, as compared to 2003, as corporate general and administrative expenses declined in fiscal 2004, due to a number of factors, including a reduction in administrative personnel made possible by the disposition of the collectibles sales businesses, and the fact that in fiscal 2003 general and administrative expenses included \$235,000 of consulting fees incurred for services rendered in connection with securing \$671,000 in State Enterprise Zone Tax Credits. The reduction in corporate general and administrative expenses in fiscal 2004 were offset, however, by increases in SG&A expenses that were related to the increases in grading submissions in fiscal 2004 compared to fiscal 2003.

The decrease in SG&A expenses, as a percentage of net revenues, in fiscal 2003, as compared to fiscal 2002, was due primarily to the fact that, in fiscal 2003, net revenues increased at a greater rate than did SG&A expenses; partially offset by the incurrence in fiscal 2003 of the tax consulting fees related to our obtaining the State Enterprise Zone Tax Credits in 2003.

Amortization of Goodwill. We adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, effective as of July 1, 2002, the commencement of fiscal 2003. In accordance with SFAS 142, we ceased amortizing goodwill recorded in past business combinations effective as of July 1, 2002. As a result, there were no charges recorded for goodwill amortization expense in fiscal 2004 or 2003. By comparison, we recorded goodwill amortization expense of \$90,000, or 0.5% of net revenues, in fiscal 2002.

Goodwill Impairment. SFAS No. 142 also required us to perform a transitional goodwill impairment test as of the beginning of fiscal 2003, the year of its adoption. Accordingly, we conducted that test at a reporting unit level and compared each reporting unit's fair value to its carrying value. We first determined that our reporting units were sub-units of our reportable segments. We then measured the value for each reporting unit on the basis of a weighted

combination of valuation approaches, including discounted cash flows and multiples of sales and earnings before interest, taxes, depreciation and amortization. On the basis of that valuation, we concluded that a substantial portion of our goodwill was impaired and, in the first quarter of fiscal 2003, we recorded a non-cash after-tax transitional goodwill impairment charge of \$8,973,000 (net of income taxes) as a change in accounting principle.

In the fourth quarter of 2003, we recorded, as part of operating expenses, a non-cash goodwill impairment charge of \$1,477,000 resulting from our impairment test as of June 30, 2003. Of the \$1,477,000 goodwill impairment charge recorded as part of operating expenses in the fourth quarter of fiscal 2003, \$6,000 is now classified as part of the continuing operating expense in fiscal 2003 and the remaining \$1,471,000 has been classified as part of the loss from discontinued operations in fiscal 2003. There was no goodwill impairment charge in fiscal 2004 because all goodwill had been written off in fiscal 2003.

In fiscal 2002, we recorded a \$51,000 goodwill impairment charge, as part of operating expenses, to reduce the carrying value of the assets of our stamp grading division, Professional Stamp Experts ("PSE"), as a result of a determination that its future revenues were likely to be lower than had been previously expected.

Interest Income, Net. Interest income is generated on cash balances that we invest primarily in highly liquid money market accounts, short-term bank certificates of deposit and commercial paper instruments. Interest income, net from continuing operations, was \$135,000 in fiscal 2004, compared with \$94,000 in fiscal 2003 and \$191,000 in fiscal 2002. The increase in 2004 as compared to 2003 is primarily related to interest earned on tax refunds that the Company received in fiscal 2004. The decrease in interest income in 2003, compared to 2002 was primarily attributable to declines in short-term interest rates earned on cash balances during 2003, and the repayment of certain notes receivables that were outstanding in prior periods. Our cash balances increased in the second half of 2004 due to the improved performance of our grading and authentication businesses and the proceeds realized from the disposition of our collectibles sales businesses and related assets. As a result, we currently anticipate that interest income will be somewhat higher in the first six months of fiscal 2005 than in the same six months of fiscal 2004.

Provision (Benefit) for Income Taxes. The provision made for income taxes in fiscal 2004 and the income tax benefits recorded in fiscal 2003 and 2002 were calculated on the basis of our expected federal and state effective income tax rates for those years. Contributing to the income tax benefit in fiscal 2003 were \$671,000 of California Enterprise Zone Hiring Tax Credits covering eligibility periods from 1999 to 2002, for which required governmental approvals were obtained in the second quarter of fiscal 2003.

Discontinued Operations

Loss from Discontinued Operations. As a result of our decision in fiscal 2004 to dispose of our collectibles sales businesses, in accordance with SFAS 144 the assets and related liabilities of those businesses have been classified as held for sale and their related operating results for fiscal years 2004, 2003, and 2002 have been classified as discontinued operations in the consolidated financial statements included in this Report. Therefore, in fiscal years 2003 and 2002, the loss from discontinued operations (net of income taxes) relates to the operations of those discontinued businesses for the entirety of those fiscal years. In fiscal 2004, the loss from discontinued operations includes (i) the losses from their operations through the respective dates on which they were disposed of and (ii) the losses or gains recognized on the sales of those businesses and the disposition of those of their assets (consisting primarily of inventories and accounts receivable) that we retained. In fiscal 2003, the loss from discontinued operations includes the goodwill impairment charge of \$1,471,000 recorded in the fourth quarter of 2003. See "Goodwill Impairment" discussed above.

Quarterly Results of Operations and Seasonality

The following tables present unaudited quarterly financial information for each of the eight quarters beginning September 30, 2002 and ending on June 30, 2004. The information has been derived from our unaudited quarterly financial statements, which have been prepared by us on a basis consistent with our audited financial statements appearing elsewhere in this Form 10-K/A. The consolidated financial information set forth below includes all necessary adjustments, consisting only of normal recurring adjustments, that management considers necessary for a fair presentation of the unaudited quarterly results when read in conjunction with the consolidated financial statements and the notes thereto appearing elsewhere in this Form 10-K/A. These operating results, which reflect the reclassification of our results of operations between continuing operations and discontinued operations as a result of the disposition of our collectibles sales businesses, are not necessarily indicative of results that may be expected for any subsequent periods. We typically experience a decline in net revenues during our second fiscal quarter that ends on December 31, which we believe is related to the holidays that take place during that period. Our operating results also may fluctuate in the future due to a number of factors which are outside of our control. See "Overview" above in this Section of this Report for a discussion of those factors.

	Fiscal Quarters Ended							
	(In thousands)							
	Sept. 30, 2002	Dec. 31, 2002	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	March 31 2004	June 30, 2004
Number of Units Graded by Division								
PCGS	203	214	211	289	282	285	297	377
PSA	335	222	241	260	253	235	242	268
Autographs	4	4	4	3	9	14	25	20
PSE	3	2	3	4	5	3	4	4
Total	545	442	459	556	549	537	568	669

	Fiscal Quarters Ended							
	(In thousands except per share data)							
	Sept. 30, 2002 *	Dec. 31, 2002	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	March 31 2004	June 30, 2004
Consolidated Financial Data								

Edgar Filing: COLLECTORS UNIVERSE INC - Form 10-K/A

Net revenues	\$ 5,110	\$ 4,123	\$ 5,171	\$ 5,933	\$ 6,012	\$ 5,753	\$ 6,896	\$ 7,759
Cost of revenues	2,099	1,905	2,329	2,421	2,549	2,349	2,597	2,827
Gross profit	3,011	2,218	2,842	3,512	3,463	3,404	4,299	4,932
SG&A	2,713	2,692	3,007	3,074	2,766	2,925	2,923	3,215
Impairment of goodwill	-	-	-	6	-	-	-	-
Total operating expenses	2,713	2,692	3,007	3,080	2,766	2,925	2,923	3,215
Operating income (loss)	298	(474)	(165)	432	697	479	1,376	1,717
Interest income, net	10	11	64	9	7	7	11	110
Other income (expense), net	(1)	9	(14)	-	(7)	(12)	(4)	(2)
Income (loss) before income taxes	307	(454)	(115)	441	697	474	1,383	1,825
Income tax benefit (expense)	(134)	584	40	67	(313)	(170)	(592)	(506)
Income (loss) from continuing operations	173	130	(75)	508	384	304	791	1,319
Gain (loss) from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	123	(579)	50	(1,796)	47	(782)	201	(534)
Cumulative effect of accounting change (net of income taxes)	(8,973)	-	-	-	-	-	-	-
Net income (loss)	\$ (8,677)	\$ (449)	\$ (25)	\$ (1,288)	\$ 431	\$ (478)	\$ 992	\$ 785

Net income (loss) per basic share:

Income (loss) from continuing operations	\$ 0.03	\$ 0.02	\$ (0.01)	\$ 0.08	\$ 0.06	\$ 0.05	\$ 0.13	\$ 0.21
Gain (loss) from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	0.02	(0.09)	0.01	(0.29)	0.01	(0.13)	0.03	(0.08)
Cumulative effect of accounting change (net of income taxes)	(1.45)	-	-	-	-	-	-	-
Net income (loss)	\$ (1.40)	\$ (0.07)	\$ -	\$ (0.21)	\$ 0.07	\$ (0.08)	\$ 0.16	\$ 0.13

Net income (loss) per diluted share:

Income (loss) from continuing operations	\$ 0.03	\$ 0.02	\$ (0.01)	\$ 0.08	\$ 0.06	\$ 0.05	\$ 0.13	\$ 0.20
Gain (loss) from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	0.02	(0.09)	0.01	(0.29)	0.01	(0.12)	0.03	(0.08)
Cumulative effect of accounting change (net of income taxes)	(1.43)	-	-	-	-	-	-	-
Net income (loss)	\$ (1.38)	\$ (0.07)	\$ -	\$ (0.21)	\$ 0.07	\$ (0.07)	\$ 0.16	\$ 0.12

Weighted average shares outstanding								
Basic	6,193	6,129	6,131	6,131	6,172	6,167	6,135	6,201
Diluted	6,288	6,219	6,131	6,226	6,288	6,391	6,319	6,557

* The unaudited quarterly financial information for the quarter ended September 30, 2002 has been restated to reclassify the cumulative effect of an accounting change associated with discontinued operations of \$8,917,000 from loss from discontinued operations to cumulative effect of accounting change. See note 15 to the consolidated financial statements for further discussion.

Liquidity and Capital Resources

At June 30, 2004, we had cash and cash equivalents of \$21,454,000 compared to cash and cash equivalents of \$4,482,000 at June 30, 2003. Contributing to the increase in cash and cash equivalents were (i) the increases in grading revenues and the resulting operating income, (ii) cash proceeds received from the sales of our collectibles sales businesses in fiscal 2004, and (iii) cash from collections of accounts receivables from auctions held in the second quarter of 2004 and the disposition of assets (principally inventories and accounts receivable) of the collectibles sales businesses that we retained.

Historically, we have relied on internally generated funds, rather than borrowings, as our primary source of funds to support our grading operations. We expect our grading and authentication services to provide us with relatively stable and predictable cash flows because in most instances our customers prepay for those services at the time they submit their collectibles for authentication and grading and we are able to closely monitor the overall volume of grading submissions and make adjustments to our operating expenses to the extent required to maintain positive cash flow from operations.

Continuing operations provided net cash of \$6,068,000 during the year ended June 30, 2004 primarily from operating profits and collections of tax refunds. This compares to net cash from continuing operations of \$838,000 in the year ended June 30, 2003.

Net cash generated from investing activities was \$1,852,000 for the year ended June 30, 2004 and consisted primarily of cash received from the sale of discontinued businesses of \$2,307,000 partially offset by expenditures for upgrading the Company's corporate computer hardware, and secondarily for new tooling for producing plastic, tamper resistant holders in which collectible coins and sports cards that we grade or authenticate are placed prior to being sent back to the customer.

Financing activities provided net cash of \$924,000 in the year ended June 30, 2004, consisting of proceeds from sales of our shares under our Employee Stock Purchase Plan and the exercise of employee stock options.

At June 30, 2004, we had the following outstanding obligations under operating leases, net of sublease income for years ending June 30:

2005	\$ 906,000
------	------------

2006	908,000
2007	925,000
2008	908,000
2009	905,000
Thereafter	324,000
	\$ 4,876,000

With the exception of those obligations, we do not have any material financial obligations, such as long-term debt, capital lease, or purchase obligations.

However, we are currently seeking a line of credit from a bank or other lending institution primarily to enable us to provide advances to coin and other collectibles dealers as a means of generating additional interest income and also providing an additional incentive for large collectibles dealers to do business with us. We anticipate that any such advances that we might make generally would be secured by dealers' collectibles inventories. There is no assurance that we will be successful in obtaining such a line of credit.

We also may use cash resources to make acquisitions of other collectibles service businesses, if we identify acquisition opportunities that we believe are attractive.

We believe that our existing cash balances and internally generated funds will be sufficient to fund our cash requirements for at least the next twelve months. However, our cash requirements will depend on several factors, including our ability to achieve and maintain operating profitability and whether or not we make business acquisitions for cash or stock. Accordingly, we may require financing from external sources in the future through equity or debt offerings, which may or may not be available or may be dilutive to our stockholders. Our ability to obtain financing from external sources will depend upon our operating results, financial condition, future business prospects, our stock price performance and conditions then prevailing in the relevant capital markets.

Recent Accounting Pronouncements

In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 addresses significant issues relating to the implementation of SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and develops a single accounting model, based on the framework established by SFAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS No. 144 was adopted by the Company on July 1, 2002. The adoption of SFAS No. 144 did not have a material impact on our financial position or results of operations. However, as discussed above in this Section of this Report and in Note 2 to our Consolidated Financial Statements included elsewhere in this Report, we have classified the assets, related liabilities of the collectible sales businesses as held for sale, and their related operating results have been classified as discontinued operations in accordance with SFAS No. 144.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees,

and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. In 2003, we decided to relocate the operations of our Bowers and Merena division (part of the discontinued operations) to Louisiana, and in fiscal 2004, we incurred certain severance costs associated with exiting our discontinued businesses. We accounted for these actions in accordance with SFAS No. 146.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, *Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others, an interpretation of FASB Statements Nos. 5, 57 and 107, and rescission of FASB Interpretation No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others*. FIN 45 elaborates on the interim and annual financial statement disclosures that are required to be made by companies that have guaranteed third party obligations. FIN 45 also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing a guarantee. The initial recognition and measurement provisions of this interpretation became applicable on a prospective basis to guarantees issued or modified after December 31, 2002; while, the provisions of the disclosure requirements became effective for financial statements for interim or annual periods ending after December 15, 2002. We did not issue any guarantees in the year ended June 30, 2004.

From time to time, we enter into certain types of contracts that contingently require us to indemnify parties against third-party claims. These contracts consist primarily of (i) the asset purchase agreements pursuant to which we have sold our collectibles auction businesses, under which we have agreed to indemnify the buyers of those businesses on terms customary for transactions of this nature; (ii) certain real estate leases under which we are required to indemnify property owners for environmental or other liabilities and other claims arising from our use of the leased premises; and (iii) agreements with the Company's officers, directors and employees, under which we are obligated to indemnify such persons for liabilities arising out of their employment or service relationship with us or our subsidiaries. The terms of such indemnification obligations vary by contract and, in most instances, a specific or maximum dollar amount is not explicitly stated therein. Historically, we have not had to make any significant payments in respect of these indemnification obligations and no liabilities have been recorded for those obligations in the accompanying consolidated balance sheets.

In January 2003, the FASB issued FIN 46(R), *Consolidation of Variable Interest Entities-an interpretation of ARB No. 51*, and revised in December 2003. FIN 46(R) requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46(R) is effective for all new variable interest entities created or acquired after December 31, 2003. For variable interest entities created or acquired prior to December 31, 2003, the provisions of FIN 46(R) must be applied for the first interim or annual period beginning after March 15, 2004. The adoption of FIN 46(R) did not have a material impact on our consolidated financial position, results of operations or cash flows, as the Company has no interests in variable interest entities.

In May 2003, the FASB issued SFAS No. 150 *Accounting for Certain Financial Instruments With Characteristics of Both Liability and Equity*. SFAS No. 150 establishes standards for how companies classify and measure certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial

instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the standard on July 1, 2003. The Company has determined that SFAS No. 150 did not have any significant impact on its consolidated financial position, results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	16
Consolidated Balance Sheets at June 30, 2004 and 2003	17
Consolidated Statements of Operations for the Years Ended June 30, 2004, 2003 (As Restated) and 2002	18
Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2004, 2003 and 2002	19
Consolidated Statements of Cash Flows for the Years Ended June 30, 2004, 2003 and 2002	20
Notes to Consolidated Financial Statements for the Years Ended June 30, 2004, 2003 and 2002	22

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of

Collectors Universe, Inc.

We have audited the accompanying consolidated balance sheets of Collectors Universe, Inc. and subsidiaries (the Company) as of June 30, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2004. Our audits also included the financial statement schedule listed in the index in Part IV, Item 15(A) (2). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Collectors Universe, Inc. and subsidiaries as of June 30, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As described in Note 2 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets as a result of adopting Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, effective July 1, 2002.

As discussed in Note 4 to the consolidated financial statements, on December 4, 2003, the Company adopted a formal plan to divest the Company's collectibles auctions and direct sales businesses. The consolidated financial statements for 2003 and 2002 referred to above have been restated to report the assets and related liabilities of the collectibles auctions and direct sales businesses as held for sale and the related operating results as discontinued operations for all periods presented.

As discussed in Note 15 to the consolidated financial statements, the accompanying consolidated statement of operations for the year ended June 30, 2003, has been restated.

DELOITTE & TOUCHE LLP

Costa Mesa, California

September 23, 2004 (January 6, 2005 as to the effects of the restatement discussed in Note 15)

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

ASSETS	2004	June 30	2003
Current assets:			
Cash and cash equivalents	\$ 21,454		\$ 4,482
Accounts receivable, net of allowance of \$30 in 2004 and \$29 in 2003	790		454
Inventories, net	452		180
Prepaid expenses and other	781		638
Refundable income taxes	13		1,183
Deferred income taxes	1,174		1,066
Receivables from sale of net assets of discontinued operations	1,611		-
Current assets of discontinued operations held for sale	1,267		15,947
Total current assets	27,542		23,950
Property and equipment, net	1,045		1,262
Deferred income taxes	5,205		6,467
Other assets	165		194
Non-current assets of discontinued operations held for sale	117		418
	\$ 34,074		\$ 32,291
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	\$ 455		\$ 917
Accrued liabilities	1,351		1,253
Accrued compensation and benefits	936		490
Deferred revenue	1,225		777
Current liabilities of discontinued operations held for sale	276		2,144
Total current liabilities	4,243		5,581
Deferred rent	401		391
Other long-term liabilities	64		-
Commitments and contingencies (note 13)			
Stockholders' equity:			
Preferred stock, \$.001 par value; 5,000 shares authorized; no shares issued or outstanding	-		-
Common stock, \$.001 par value; 45,000 shares authorized; shares issued: 6,338 in 2004 and 6,255 in 2003	6		6
Additional paid-in capital	42,215		40,898
Accumulated deficit	(11,834)		(13,564)
Treasury stock, at cost (125 shares)	(1,021)		(1,021)
Total stockholders' equity	29,366		26,319
	\$ 34,074		\$ 32,291

The accompanying notes are an integral part of these consolidated financial statements.

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended June 30		
	2004	2003	2002
		(As Restated, See Note 15)	
Net revenues:			
Grading, authentication and related services	\$ 26,420	\$ 20,337	\$ 18,635
Total net revenues	26,420	20,337	18,635
Cost of revenues:			
Cost of grading, authentication and related services	10,322	8,754	7,935
Total costs of revenues	10,322	8,754	7,935
Gross profit	16,098	11,583	10,700
Selling, general and administrative expenses	11,829	11,486	11,884
Amortization of goodwill	-	-	90
Impairment of goodwill	-	6	51
Total operating expenses	11,829	11,492	12,025
Operating income (loss)	4,269	91	(1,325)
Interest income, net	135	94	191
Other expense, net	(25)	(6)	(20)
Income (loss) before provision (benefit) for income taxes	4,379	179	(1,154)
Provision (benefit) for income taxes	1,581	(557)	(502)
Income (loss) from continuing operations	2,798	736	(652)
Loss from discontinued operations net of gain on sales of discontinued businesses			
(net of income taxes) (see note 4)	(1,068)	(2,202)	(1,858)
Cumulative effect of accounting change (net of income tax benefit of \$4,511)	-	(8,973)	-
Net income (loss)	\$ 1,730	\$ (10,439)	\$ (2,510)
Net income (loss) per basic share:			
Income (loss) from continuing operations	\$ 0.45	\$ 0.12	\$ (0.10)
Loss from discontinued operations net of gain on sales of discontinued businesses			
(net of income taxes)	(0.17)	(0.35)	(0.30)
	-	(1.45)	-

Cumulative effect of accounting change (net of income taxes)						
Net income (loss)	\$	0.28	\$	(1.68)	\$	(0.40)
Net income (loss) per diluted share:						
Income (loss) from continuing operations	\$	0.44	\$	0.12	\$	(0.10)
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)		(0.17)		(0.35)		(0.30)
Cumulative effect of accounting change (net of income taxes)						
Net income (loss)	\$	0.27	\$	(1.66)	\$	(0.40)
Weighted average shares outstanding:						
Basic		6,170		6,205		6,347
Diluted		6,463		6,294		6,347

The accompanying notes are an integral part of these consolidated financial statements.

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital		Retained Earnings (Accumulated Deficit)	Treasury Stock		Total
	Shares	Amount	Shares	Amount	Amount	Shares	Amount	
Balance at June 30, 2001	6,367	\$ 6	\$ 41,180	\$	(615)	(125)	\$ (1,021)	\$ 39,550
Employee stock purchase plan	10	-	55	-	-	-	-	55
Exercise of stock options	4	-	12	-	-	-	-	12
Compensation expense related to stock options granted	-	-	21	-	-	-	-	21
Net loss	-	-	-	-	(2,510)	-	-	(2,510)
Balance at June 30, 2002	6,381	6	41,268		(3,125)	(125)	(1,021)	37,128
Redemption of common stock in satisfaction of note receivable from related party	(130)	-	(386)	-	-	-	-	(386)
Employee stock purchase plan	3	-	14	-	-	-	-	14
Exercise of stock options	1	-	2	-	-	-	-	2
Net loss	-	-	-	-	(10,439)	-	-	(10,439)
Balance at June 30, 2003	6,255	6	40,898		(13,564)	(125)	(1,021)	26,319
Exercise of stock options	204	-	883	-	-	-	-	883

Tax benefit on exercise of stock options	-	-	342	-	-	-	342
Issuances of stock under stock purchase plan and related compensation expense	12	-	92	-	-	-	92
Net income	-	-	-	1,730	-	-	1,730
Cancellation of stock issued to a former officer	(133)	-	-	-	-	-	-
Balance at June 30, 2004	6,338	\$ 6	\$ 42,215	\$ (11,834)	(125)	\$ (1,021)	\$ 29,366

The accompanying notes are in integral part of these consolidated financial statements.

COLLECTORS UNIVERSE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended June 30		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income (loss) from continuing operations	\$ 2,798	\$ 736	\$ (652)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	647	650	854
Impairment of goodwill	-	6	51
Stock-based compensation expense	50	-	21
Interest on note receivable from an officer	-	(9)	-
Provision for bad debts	31	-	100
Provision for inventory write-down	53	-	-
Loss on disposal of property and equipment	25	5	-
Deferred income taxes	1,496	(1,300)	(274)
Changes in operating assets and liabilities:			
Accounts receivable	(367)	264	675
Inventories	(325)	4	579
Prepaid expenses and other	(143)	(216)	233
Notes receivable	-	22	(22)
Refundable income taxes	1,170	8	(299)
Other assets	29	13	169
Accounts payable and accrued liabilities	(364)	639	227
Accrued compensation and benefits	446	(192)	170
Deferred revenue	448	98	(14)

Other long-term liabilities	64	-	-
Deferred rent	10	110	59
Net cash provided by operating activities	6,068	838	1,877
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	83	-	1
Capital expenditures	(538)	(297)	(658)
(Advances) collections on notes receivable from related parties	-	3	(181)
Cash received from sale of net assets of discontinued operations	2,307	-	-
Net cash provided by (used in) investing activities	1,852	(294)	(838)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from employee stock purchase plan	60	14	55
Stock option exercise	864	2	12
Net cash provided by financing activities	924	16	67
Discontinued operations:			
Net cash provided by (used in) discontinued operations	8,128	(1,025)	(2,033)
Net increase (decrease) in cash and cash equivalents	16,972	(465)	(927)
Cash and cash equivalents at beginning of year	4,482	4,947	5,874
Cash and cash equivalents at end of year	\$ 21,454	\$ 4,482	\$ 4,947

The accompanying notes are an integral part of these consolidated financial statements.

COLLECTORS UNIVERSE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)

	Year ended June 30		
	2004	2003	2002
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income taxes paid	\$ 14	\$ -	\$ 9
Interest paid	\$ 2	\$ 3	\$ 36
SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS:			

See note 2.

The accompanying notes are an integral part of these consolidated financial statements.

21

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Company Organization and Nature Of Business

Organization

Collectors Universe, Inc. ("We," the "Company" or "Collectors Universe") is a Delaware corporation that was organized on February 5, 1999 for the purpose of enabling Professional Coin Grading Service, Inc. ("PCGS" or the "Predecessor") to acquire other businesses that, like PCGS, would provide services to the collectibles markets. On February 5, 1999, Collectors Universe issued 4,327,000 shares of common stock in exchange for all of the outstanding shares of PCGS. As a result of that exchange, the former stockholders of PCGS became stockholders of Collectors Universe, with each of them receiving a number of our shares based on his or her percentage ownership of the shares of PCGS. Prior to this exchange, Collectors Universe had no operating assets or liabilities and had not yet conducted any operations. The assets and liabilities acquired were recorded at the predecessor basis as the transaction represented a transfer of assets and liabilities between entities under common control.

Concurrently, with the exchange transaction with PCGS, Collectors Universe acquired the assets of the auction businesses of Lyn F. Knight Rare Coins, Inc. ("Lyn Knight") and Kingswood Coin Auctions, LLC ("Kingswood") and the minority ownership interests in Superior Sportscard Auctions, LLC ("Superior") and Internet Universe, LLC ("IU"), both of which were majority-owned subsidiaries of PCGS at the time these acquisitions were consummated. See Note 3, Acquisitions and Note 4, Discontinued Operations.

Nature of the Business

We are a collectibles company engaged in the provision of grading, authentication and related services for high-end collectibles. We provide authentication and grading services for sportscards, rare coins, stamps and authentication-only services for sports memorabilia and autographs. We also publish magazines that provide market prices and information for certain collectibles.

During the period from 1999 through the latter part of fiscal 2004, we also were engaged in the business of marketing and selling high-end collectible coins, sportscards and sports entertainment and historical memorabilia. Most of those sales were made at multi-venue auctions that were conducted by our collectibles sales divisions, which were comprised of Bowers and Merena Galleries and Kingswood Coin Auctions for rare coins, Superior Sportscard Auctions for vintage sportscards and sports memorabilia and Odyssey for entertainment and historical memorabilia. We also sold collectible coins by direct sales methods.

On December 4, 2003, our Board of Directors adopted a plan to focus the Company's financial and management resources and collectibles expertise, on the operations and growth of its authentication and grading businesses, by divesting the collectibles auctions and direct sales businesses comprising its collectibles sales segment. As a result, in

the accompanying consolidated financial statements the assets and related liabilities of the collectibles sales segment have been classified as held for sale and the related operating results have been classified as discontinued operations in accordance with SFAS 144 (see Note 4).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Collectors Universe, Inc. and its subsidiaries. During the year ended June 30, 2002, the Company acquired the assets of certain businesses and the results of their operations have been included in our consolidated financial statements from the date of acquisition (Note 3). All intercompany accounts and transactions have been eliminated in consolidation.

In 2004, the Company disposed of the businesses comprising its collectibles sales segment and, accordingly, the assets and liabilities of those businesses have been classified as held for sale and their related operating results (including the gains or losses recognized on the sales of those businesses) have been classified as discontinued operations. See Note 4.

Fiscal Year

For fiscal year 2003, and thereafter, the Company's fiscal year end is June 30th. Prior to 2003, the Company elected to end its fiscal year on the Saturday closest to June 30. Accordingly, the 2002 fiscal year ended on June 29, 2002. For clarity of presentation, all fiscal years are reported as ending on June 30.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates, and such differences may be material to the consolidated financial statements.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Concentrations

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company invests its excess cash in a large uninsured institutional money market fund. In September 2004, the Company adopted a policy of investing its excess cash in a portfolio of high quality U.S. dollar-denominated money market securities. A substantial portion of accounts receivable are due from collectibles dealers. The Company performs an analysis of the expected collectibility of accounts receivable and makes an allowance for doubtful accounts, when necessary. The allowance for doubtful accounts receivable was \$30,000 and \$29,000 at June 30, 2004 and 2003, respectively.

Revenues from coin authentication and grading were approximately 66%, 60% and 54% of net revenues for the years ended June 30, 2004, 2003 and 2002, respectively.

The Company purchases injection-molded parts, holograms and printed labels for its grading services. There are numerous suppliers for these items and, as a result, it is possible to change suppliers without significant delay or cost to the Company. However, while there are numerous sources for injection-molded parts, these parts require a die to fabricate the part. The manufacture of high precision dies can be a lengthy process and requires considerable expertise in their fabrication. Although, the Company does not have back-up dies for some of its high volume injection-molded parts and relies on one supplier for these requirements, the Company believes that it maintains a large enough inventory of the injection-molded parts to allow for the time necessary to manufacture new molds.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values.

Inventories

Our inventories consist primarily of our stamp and coin collectibles inventories and consumable supplies that we use in our continuing authentication and grading businesses. We account for those inventories under the specific identification method. Inventories are valued at the lower of cost or market. Inventories are periodically reviewed to identify slow moving items, and the allowance for inventory loss is recognized, as necessary. The allowance for inventory loss was \$53,000 and \$0 at June 30, 2004 and 2003, respectively. It is possible that our estimates of market value could change in the near term due to market conditions in the various collectibles markets served by the Company.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives ranging from three to seven years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the term of the related lease. Repair and maintenance costs are expensed as incurred.

Long-Lived Assets

Management regularly reviews property and equipment and other long-lived assets, including certain identifiable intangibles, for possible impairment. This review occurs annually, or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable in full. If there is indication of impairment of property and equipment or amortizable intangible assets, then management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of that asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The fair value is estimated at the present value of the future cash flows discounted at a rate commensurate with management's estimates of the business risks. During the year ended June 30, 2003, the Company determined that a covenant not-to-compete obtained in connection with an acquisition of a collectibles sales business (Note 3) was impaired. Accordingly, the Company wrote-off the unamortized balance of \$18,000. Such amount is included in the loss from discontinued operations in the accompanying consolidated statements of operations for the year ended June 30, 2003. In the fiscal year ended June 30, 2003 the Company also recorded impairment charges for goodwill, as discussed further in this Note 2. No long-lived asset impairments were identified at June 30, 2004.

Revenue Recognition

Net revenues consist primarily of fees generated from the authentication and grading of sportscards, coins, autographs and stamps. Authentication and grading revenues are recognized when the graded item is shipped to the customer. Grading fees generally are prepaid, although we offer open account privileges to larger dealers. Advance payments received for grading services are deferred until the service is performed and the graded item is shipped to the customer. In the case of dealers to whom we have extended credit, we record revenues at the time the item is shipped to the customer.

Warranty Costs

The Company offers a warranty covering the coins and sportscards it authenticates and grades. Under the terms of the warranty, any coin or sportscard originally graded by us, which subsequently receives a lower grade upon resubmittal to us, obligates us to either purchase the coin or sportscard or pay the difference in value of the item at its original grade as compared with its lower grade. Similarly, any coin or sportscard originally graded by us, which later is determined not to be authentic, obligates us to purchase the coin or sportscard. We accrue for estimated warranty costs based on historical trends and related experience.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately \$149,000, \$123,000 and \$185,000 in the fiscal years ended June 30, 2004, 2003 and 2002, respectively.

Income Taxes

We account for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*. This statement requires the recognition of deferred tax assets and liabilities for the future consequences of events that have been recognized in the Company's financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities result in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Stock-Based Compensation

The Company accounts for its stock option plans in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. As such, compensation expense is recorded on the date of grant only if the quoted market price of the underlying stock on that date exceeds the exercise price. However, the Company provides pro forma net earnings and pro forma net earnings per share disclosures as if the fair value of all stock options as of the grant date were recognized as expense over the vesting period in accordance with SFAS No. 123, *Stock Based Compensation*. In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, which amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method on reported results.

The following table illustrates the effect on net income (loss) and net income (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	(in thousands, except per share data)		
	2004	June 30 2003	2002
Net income (loss), as reported	\$ 1,730	\$ (10,439)	\$ (2,510)
Add: stock-based employee compensation expense included in reported net income (loss), net of related tax effects	50	-	21
Deduct: total stock-based employee compensation expense determined under fair value based method for awards, net of related tax effects	(402)	(262)	(503)
Pro forma net income (loss)	\$ 1,378	\$ (10,701)	\$ (2,992)
Net income (loss) per common share - basic			
As reported	\$ 0.28	\$ (1.68)	\$ (0.40)
Pro forma	\$ 0.22	\$ (1.72)	\$ (0.47)
Net income (loss) per common share - fully diluted			
As reported	\$ 0.27	\$ (1.66)	\$ (0.40)
Pro forma	\$ 0.21	\$ (1.70)	\$ (0.47)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	2004	June 30 2003	2002
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	75.0%	73.0%	81.0%

Risk-free interest rate	1.7%	2.0%	3.3%
Expected lives	2.0 years	2.0 years	1.5 years

We account for equity instruments issued to persons other than Company employees and directors ("non-employees") in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18, *Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. All transactions in which goods or services are the consideration received for the issuance of equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of any such equity instrument is the earlier of the date on which the third-party performance is complete or the date on which it is probable that performance will occur.

Net Income (Loss) Per Share

We compute net income (loss) per share in accordance with SFAS No. 128, *Earnings Per Share*. SFAS No. 128 requires the presentation of basic and diluted earnings per share. Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the periods presented. Diluted net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common and common equivalent shares outstanding during the periods presented assuming the exercise of all outstanding stock options and other dilutive securities. For the year ended June 30, 2002, potentially dilutive stock options of 719,000 are not included, as the effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted net income (loss) per common share (in thousands except per share date):

	2004		2003		2002
Income (loss) from continuing operations	\$ 2,798	\$	736	\$	(652)
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	(1,068)		(2,202)		(1,858)
Cumulative effect of accounting change (net of income taxes)	-		(8,973)		-
Net income (loss)	\$ 1,730	\$	(10,439)	\$	(2,510)
Net income (loss) per basic share:					
From continuing operations	\$ 0.45	\$	0.12	\$	(0.10)
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	(0.17)		(0.35)		(0.30)
Cumulative effect of accounting change (net of income taxes)	-		(1.45)		-
Net income (loss)	\$ 0.28	\$	(1.68)	\$	(0.40)
Net income (loss) per diluted share:					
From continuing operations	\$ 0.44	\$	0.12	\$	(0.10)

Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)		(0.17)		(0.35)		(0.30)
Cumulative effect of accounting change (net of income taxes)		-		(1.43)		-
Net income (loss)	\$	0.27	\$	(1.66)	\$	(0.40)
Weighted-average shares outstanding:						
Basic		6,170		6,205		6,347
Diluted		6,463		6,294		6,347

Comprehensive Income

The Company does not have any items of other comprehensive income requiring separate disclosure.

Computer Software Development Costs

In accordance with Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the Company has capitalized certain costs to obtain or develop software to be used for internal purposes. For fiscal years 2004, 2003 and 2002, the Company capitalized \$119,000, \$0 and \$93,000. During the years ended June 30, 2004, 2003 and 2002 amortization of software development costs was \$67,000, \$115,000 and \$198,000, respectively, based upon a two-year amortization period.

Change in Accounting for Goodwill and Other Intangible Assets

Prior to July 1, 2002, the Company amortized goodwill using the straight-line method over periods ranging from five to fifteen years and periodically evaluated the recoverability of goodwill by determining whether the amortization of the balance over its remaining useful life could be recovered through projected undiscounted future operating cash flows.

Effective July 1, 2002, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 required the Company, in the year of its adoption, to perform a transitional goodwill impairment test to be measured as of the beginning of the fiscal year. As required by SFAS No. 142, the test was conducted at a "reporting unit" level and involved a comparison of each reporting unit's fair value to its carrying value. The Company has determined that its reporting units are its operating segments, which have been aggregated into its reporting segments. The measurement of value for each reporting unit was based on a weighting of a combination of valuation approaches, including discounted cash flows and multiples of earnings before interest, taxes, depreciation and amortization. Upon adoption of SFAS No. 142, the Company completed a transitional impairment test and concluded that certain of its goodwill was impaired, resulting in a non-cash, after-tax charge of \$8,973,000. The charge has been recorded as a cumulative effect of an accounting change in the accompanying consolidated statement of operations for the year ended June 30, 2003.

The following is a summary of the transitional impairment charge by segment and reporting unit, net of \$4,511,000 tax benefit (in thousands):

Reportable Segments	Reporting Unit	Charge
Discontinued operations - collectible sales	Bowers and Merena	\$ 7,230
	Lyn Knight	1,262
	Odyssey	323
	Superior Sports Auctions	102
Continuing operations - authentication and grading	Professional Stamp Experts	56
		\$ 8,973

Market and economic conditions resulted in impairment to the goodwill allocated to these reporting units.

On June 30, 2003, the Company tested its goodwill and other intangible assets in accordance with the provisions of SFAS No. 142, and concluded that the remaining unamortized goodwill was impaired. The operating profits and cash flows of each of the reporting units were lower than had been expected for fiscal 2003. Based on that trend and a reforecast of the future earnings of those units, the expected present value of future cash flows of each of those reporting units was re-determined, resulting in a pre-tax impairment of \$1,477,000. This impairment has been recorded as a goodwill impairment charge of \$6,000, with the balance of \$1,471,000 recorded as part of the loss from discontinued operations in the accompanying consolidated statement of operations for 2003.

During fiscal 2002, the Company determined that the goodwill associated with its stamp grading division, Professional Stamp Experts ("PSE"), was partially impaired. This determination resulted from a reduction in the expected future revenues of PSE. Accordingly, the Company recorded an impairment charge of \$51,000 to reduce the carrying value of the PSE goodwill to \$89,000.

The following table set forth the reconciliation of net income (loss) and net income (loss) per share as adjusted for the non-amortization provisions of SFAS No. 142:

	(in thousands)		
	2004	June 30 2003	2002
Net income (loss), as reported	\$ 1,730	\$ (10,439)	\$ (2,510)
Add: goodwill amortization, net of taxes (both continuing and discontinued operations)	-	-	989
Adjusted net income (loss)	\$ 1,730	\$ (10,439)	\$ (1,521)
Net income (loss) per share - basic:			
Net income (loss) per share, as reported	\$ 0.28	\$ (1.68)	\$ (0.40)
Goodwill amortization, net of taxes	-	-	(0.24)
Adjusted net income (loss) per share	\$ 0.28	\$ (1.68)	\$ (0.16)
Net income (loss) per share - diluted:			
Net income (loss) per share, as reported	\$ 0.27	\$ (1.66)	\$ (0.40)

Goodwill amortization, net of taxes		-		-		(0.24)
Adjusted net income (loss) per share	\$	0.27	\$	(1.66)	\$	(0.16)

27

Changes in the carrying amount of goodwill for the year ended June 30, 2003 were as follows (in thousands):

	Discontinued Collectible Sales	Grading and Authentication	Total
Balance, July 1, 2002	\$ 14,872	\$ 89	\$ 14,961
Cumulative effect of accounting change	(13,401)	(83)	(13,484)
Impairment losses	(1,471)	(6)	(1,477)
Balance, June 30, 2003	\$ -	\$ -	\$ -

Amortization expense related to the covenants not-to-compete, part of which has been reported as amortization expense for continuing operations and the balance as part of the loss from discontinued operations in the accompanying consolidated statement of operations, amounted to \$93,000 and \$70,000 for the years ended June 30, 2003 and 2002, respectively. The covenants not-to-compete are fully amortized at June 30, 2003.

Supplemental Schedule of Noncash Transactions

During the year ended June 30, 2003, an officer of the Company transferred to the Company 130,207 shares of the Company's common stock owned by him, with a fair value of \$386,000 in full satisfaction of the then outstanding balance on a note receivable due from the officer.

In connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, the Company completed the initial impairment test and concluded that certain of its goodwill was impaired, resulting in an impairment charge of \$8,973,000, net of a tax benefit of \$4,511,000. Such \$8,973,000 is classified as a cumulative effect of accounting change in 2003.

Effective June 30, 2003, the Company completed its annual impairment test for goodwill and other intangible assets in accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, and concluded that the remaining unamortized goodwill was impaired, resulting in an impairment charge of \$1,477,000. Such \$1,477,000 is classified as \$6,000 for goodwill impairment for continuing operations and the balance of \$1,471,000 is classified as part of the loss from discontinued operations in the accompanying consolidated statement of operations for 2003.

Effective June 30, 2003, the Company determined that the unamortized balance of a covenant-not-to compete was impaired, resulting in an impairment charge of \$18,000. Such amount was classified as part of the loss from discontinued operations in the accompanying statement of operations for 2003.

During 2004, in connection with the divestiture of the Company's collectibles auctions and direct sales businesses, the Company sold such businesses for gross proceeds of approximately \$2,900,000, of which \$2,307,000 has been received through June 30, 2004 and the balance of \$567,000 is included as part of the receivables from the sale of discontinued operations in the accompanying balance sheet at June 30, 2004.

During 2004, the Company recorded a tax benefit from the exercise of stock options of \$342,000, which is included as an increase to deferred taxes, and an increase to additional paid in capital.

Recent Accounting Pronouncements

In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 addresses significant issues relating to the implementation of SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and develops a single accounting model, based on the framework established by SFAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS No. 144 was adopted by the Company on July 1, 2002. The adoption of SFAS No. 144 did not have a material impact on our financial position or results of operations. However, as discussed above in this Note 2, the Company has classified the assets and related liabilities of its collectible sales businesses as held for sale, and their operating results as discontinued operations in accordance with SFAS No. 144.

28

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses significant issues regarding the recognition, measurement and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. In 2003, we decided to relocate the operations of our Bowers and Merena division (part of the discontinued operations) to Louisiana. Related to this relocation, we incurred employee termination costs of \$48,000, lease termination costs of \$118,000 and moving costs of \$149,000 in fiscal year 2003. All activities related to the relocation of the division were completed in June 2003. We accounted for these actions in accordance with SFAS No. 146.

In November 2002, the FASB issued FASB Interpretation No. ("FIN") 45, *Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others, an interpretation of FASB Statements Nos. 5, 57 and 107, and rescission of FASB Interpretation No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others*. FIN 45 elaborates on the interim and annual financial statement disclosures that are required to be made by companies that have guaranteed third-party obligations. FIN 45 also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing a guarantee. The initial recognition and measurement provisions of this interpretation became applicable on a prospective basis to guarantees issued or modified after December 31, 2002; while, the provisions of the disclosure requirements became effective for financial statements for interim or annual periods ending after December 15, 2002. We did not issue any guarantees in the fiscal year ended June 30, 2004.

From time to time, we enter into certain types of contracts that contingently require us to indemnify parties against third-party claims. These contracts consist primarily of (i) the asset purchase agreements pursuant to which we have sold our collectibles auction businesses, under which we have agreed to indemnify the buyers of those businesses on terms customary for transactions of this nature; (ii) certain real estate leases under which we are required to indemnify property owners for environmental or other liabilities and other claims arising from our use of the leased premises;

and (iii) agreements with the Company's officers, directors and employees, under which we are obligated to indemnify such persons for liabilities arising out of their employment or service relationship with us or our subsidiaries. The terms of such indemnification obligations vary by contract and, in most instances, a specific or maximum dollar amount is not explicitly stated therein. Historically, we have not had to make any significant payments in respect of these indemnification obligations and no liabilities have been recorded for those obligations in the accompanying consolidated balance sheets.

In January 2003, the FASB issued FIN 46(R), *Consolidation of Variable Interest Entities-an interpretation of ARB No. 51*, and revised in December 2003. FIN 46(R) requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46(R) is effective for all new variable interest entities created or acquired after December 31, 2003. For variable interest entities created or acquired prior to December 31, 2003, the provisions of FIN 46(R) must be applied for the first interim or annual period beginning after March 15, 2004. The Company has no interests in variable interest entities and, therefore, the adoption of FIN 46(R) did not have a material impact on its consolidated financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments With Characteristics of Both Liability and Equity*. SFAS No. 150 establishes standards for how companies classify and measure certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the standard on July 1, 2003. The Company has determined that SFAS No. 150 did not have any significant impact on its consolidated financial position, results of operations or cash flows.

Reclassifications

Certain reclassifications have been made to the fiscal 2002 and 2003 financial statements to conform to the fiscal 2004 presentation (see also Note 15).

3. Acquisitions

On April 12, 2002, the Company acquired certain assets of Collectible Properties, Inc. ("CPI"), a currency sales business owned by Lyn F. Knight, former owner of Lyn Knight Rare Coins, Inc. and an employee of the Company, for \$1,034,000 in cash. The acquisition was accounted for under the purchase method of accounting and, accordingly, the Company recorded the assets acquired based on their estimated fair values at the date of acquisition. The total purchase price of \$1,034,000 was allocated to tangible assets acquired of \$549,000, identifiable intangible assets of \$40,000 and goodwill of \$445,000. The goodwill of \$445,000 was assigned to the Company's collectible sales segment. The full amount of \$445,000 is expected to be deductible for tax purposes. The following condensed balance sheet summarizes the estimated fair values of the assets acquired at the date of acquisition.

Inventories	\$ 549,000
Intangible assets	40,000
Goodwill	445,000
Total assets acquired	\$ 1,034,000

During the fourth quarter of 2003, the Company determined that the goodwill of this business was impaired (see Note 2). On September 17, 2003, the Company sold certain assets of the currency auction business, operated by its subsidiary Lynn Knight Currency Auctions, Inc. (see Note 4).

4. Discontinued Operations

On December 4, 2003, the Company's Board of Directors authorized management to implement a plan to focus the Company's financial and management resources, and collectibles expertise, on the operations and growth of its grading and authentication businesses, by divesting the Company's collectibles auctions and direct sales businesses.

Accordingly, in accordance with SFAS No. 144, the assets and related liabilities of the collectibles sales businesses, which included the Bowers and Merena, Superior Sports Auctions, Kingswood Coin Auctions, Odyssey Publications, Lyn Knight Currency Auctions and DHRC, have been classified as held for sale in the accompanying consolidated balance sheets at June 30, 2004 and 2003; and the related operating results have been classified as discontinued operations in the accompanying consolidated statements of operations for the fiscal years ended June 30, 2004, 2003 and 2002.

On February 19, 2004 the Company sold the businesses and certain assets of the Company's Bowers & Merena Auction, Kingswood Coin Auction and Superior Sports Auction divisions (collectively the "BK&S Divisions") to Spectrum Numismatics International, Inc. ("Spectrum"), a subsidiary of Greg Manning Auctions, Inc. The Company retained ownership of the collectibles inventories and the then outstanding accounts receivables of the BK&S Divisions and Spectrum assumed certain outstanding contractual obligations of those businesses.

The consideration for the sale of those businesses was \$2,500,000 in cash, of which \$2,040,000 has been paid to the Company through June 30, 2004 and the balance of \$460,000 is to be received on February 19, 2005. The Company is entitled to receive an additional amount which will be determined on the basis of the future sales revenues of the BK&S Divisions over the two-year period following February 19, 2004. The Company recorded a pre-tax gain of \$1,872,000 on the sale of the BK&S Divisions in the year ended June 30, 2004. The Company will recognize any additional consideration in future periods as and to the extent the amounts become determinable.

In furtherance of its strategy to focus its business on the provision of value added collectibles services and to dispose of its collectibles sales businesses, in March 2003 the Company discontinued its business of selling coins, at retail, under the name "David Hall Rare Coins" (or "DHRC"). In connection with the operation of that business, the Company had utilized certain intangible assets and trade secrets obtained under a license agreement from an affiliate of David Hall and Van Simmons, two of the Company's largest stockholders and also two of its directors. In connection with the discontinuance of the DHRC business, and with the approval of the disinterested members of its Board of Directors, the Company terminated that license agreement. The Company retained the operating inventory, receivables and liabilities of DHRC at the time of the termination of the license and discontinuance of that business.

In the fourth quarter of 2004, the Company disposed of its Odyssey related auction and publications businesses for \$190,000 cash, of which \$130,000 was paid at the time of sale and the remaining \$60,000 is payable in eight (8) equal

Edgar Filing: COLLECTORS UNIVERSE INC - Form 10-K/A

quarterly installments. The payments received through June 30, 2004 totaled \$130,000. The Company also accrued for its share of the commissions generated by that business in a fourth quarter 2004 auction. In addition, the Company retained certain assets and liabilities of these businesses and is in the process of liquidating these assets and paying down those liabilities.

On September 17, 2003, the Company sold certain assets of its currency auction business, operated by its wholly owned subsidiary, Lyn Knight Currency Auctions, Inc., to Collectible Properties, Inc., a private company owned by Lyn F. Knight who, until that sale, had been president of that subsidiary and had managed that business for the Company. The Company retained ownership of its inventory of collectible currencies and the then outstanding accounts receivable of this business and Collectible Properties, Inc. assumed certain outstanding contractual obligations of the currency auction business. The consideration received from that sale was equal to the net book value of the assets sold plus an additional amount which will be determined on the basis of the future sales revenue of Collectible Properties, Inc. The Company will record this contingent consideration in future periods as the amount becomes determinable. Although the total consideration is not currently determinable, the estimated aggregate consideration to be received in that transaction will be significantly less than the Company's original acquisition cost for this business of \$3,235,000. The Company recorded a pre-tax gain of \$127,000 on the sale in the year ended June 30, 2004.

The operating results of the discontinued collectible sales businesses included in the accompanying consolidated statements of operations, are as follows (in thousands):

	2004	2003	2002
Net revenues	\$ 27,101	\$ 31,928	\$ 26,146
Loss from operations	(3,468)	(3,806)	(2,791)
Gain on sale of discontinued businesses	2,245	-	-
	(1,223)	(3,806)	(2,791)
Income tax benefit	(155)	(1,604)	(933)
Net loss from discontinued operations	\$ (1,068)	\$ (2,202)	\$ (1,858)

The following table contains summary balance sheet information with respect to the net assets and liabilities of the collectible sales businesses held for sale that are included in the accompanying consolidated balance sheets:

	(in thousands)	
	June 30, 2004	June 30, 2003
Current assets:		
Accounts receivable	\$ 379	\$ 4,198
Inventories	657	8,361
Consignment advances	45	1,511
Notes receivable	186	1,474
Other current assets	-	403
	\$ 1,267	\$ 15,947
Non-current assets:		
Property and equipment, net	\$ -	\$ 70
Notes receivable, net of current portion	117	224
Other non-current assets	-	124
	\$ 117	\$ 418
Current liabilities:		
Consignors payable	\$ 1	\$ 895
Other current liabilities	275	1,249

\$ 276 \$ 2,144

31

5. Inventories

Inventories consist of the following at June 30:

	(in thousands)	
	2004	2003
Coins	\$ 253	\$ -
Other collectibles	58	50
Grading raw materials consumable inventory	194	130
	505	180
Less inventory reserve	(53)	-
	\$ 452	\$ 180

Inventory reserve represents valuation allowance on certain items held in inventory.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	(in thousands)	
	2004	2003
Coins and sportscard grading reference sets	\$ 57	\$ 15
Computer hardware and equipment	997	1,200
Computer software	867	881
Equipment	1,283	1,156
Furniture and office equipment	659	664
Leasehold improvements	422	455
Trading card reference library	52	52
	4,337	4,423
Less accumulated depreciation and amortization	(3,292)	(3,161)
Property and equipment, net	\$ 1,045	\$ 1,262

Depreciation and amortization expense of property and equipment for fiscal 2004, 2003 and 2002 was \$647,000, \$650,000 and \$796,000, respectively.

7. Accrued Liabilities

Accrued liabilities consist of the following at June 30:

	(in thousands)	
	2004	2003
Warranty costs	\$ 492	\$ 304
Professional fees	546	413

Other		313		536
	\$	1,351	\$	1,253

32

Warranty reserve activity and balances related to fiscal years 2004, 2003 and 2002, are as follows (in thousands):

Warranty reserve, June 30, 2001		\$	280
Charged to cost of revenues			249
Cash payments			(227)
Warranty reserve, June 30, 2002			302
Charged to cost of revenues			317
Payments			(315)
Warranty reserve June 30, 2003			304
Charged to cost of revenues			646
Payments			(458)
Warranty reserve at June 30, 2004		\$	492

8. Income Taxes

Set forth below are the provision (benefit) for income taxes for the years ended June 30:

	(in thousands)		
	2004	2003	2002
Current:			
Federal	\$ 1,595	\$ 278	\$ (469)
State	62	(448)	(80)
	1,657	(170)	(549)
Deferred:			
Federal	(216)	146	160
State	140	(533)	(113)
	(76)	(387)	47
Total provision (benefit) for income taxes	\$ 1,581	\$ (557)	\$ (502)

The reconciliation of the provision (benefit) for income taxes computed at federal statutory rates to the provision (benefit) for income taxes for the years ended June 30, is as follows:

	(in thousands)		
	2004	2003	2002
Benefit at federal statutory rates	\$ 1,542	\$ 63	\$ (404)
State income taxes (benefit), net	132	(644)	(125)
Other, net	(93)	24	27
	\$ 1,581	\$ (557)	\$ (502)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred taxes as of June 30, 2004 and 2003, are as follows:

	(in thousands)	
	2004	2003
Deferred tax assets:		
Supplier compensation costs	\$ 546	\$ 546
Reserves	1,295	1,387
Goodwill and intangibles	156	5,610
Property and equipment	-	73
Net operating loss carryover	4,110	255
State credits	944	673
Other	19	8
Total deferred tax assets	7,070	8,552
Deferred tax liabilities:		
State taxes	(637)	(999)
Other	(54)	(20)
Total deferred tax liabilities	(691)	(1,019)
Net deferred tax assets	6,379	7,533
Less: Current portion	(1,174)	(1,066)
	\$ 5,205	\$ 6,467

At June 30, 2004, the Company had federal tax net operating losses of \$9,400,000, which can be carried forward for up to 20 years and state tax net operating losses of \$5,323,000, which will begin to expire in the tax year ending June 30, 2014. In addition, the Company has a state tax credit carry forward of approximately \$944,000 related to California Enterprise Zone Credits. These Enterprise Zone credits have no expiration date.

9. Employee Benefit Plans

We established an employee benefit plan, effective July 1992, that features a 401(k) salary reduction provision covering all employees who meet the eligibility requirements of the plan. Eligible employees may elect to defer up to 15% of compensation or the statutorily prescribed annual limit. The Company, at its discretion, may make contributions to the plan. To date, we have not made contributions to the plan, and administrative costs have been nominal.

On July 5, 2000, the Company implemented the 2000 Employee Stock Purchase Plan (the "Plan") covering all employees who meet certain eligibility requirements. The Plan, which was approved by our stockholders, allows employees to elect, at the beginning of each six-month period (each, a "purchase period"), to authorize withholdings from payroll of up to 15% of their compensation for application to the purchase of shares of Company common stock at the end of the six-month period. The purchase price is 85% of the closing price of the Company's shares on NASDAQ on (i) the first day of the six-month period, or (ii) the last day of the six-month period, whichever is lower. Participating employees are entitled to revoke their elections to participate in the purchase of shares at any time prior to the end of a purchase period, in which event the amounts withheld to the date of such revocation are paid to the

employee.

During fiscal 2004, 2003 and 2002, we issued 12,000, 3,000 and 10,000 shares of common stock, respectively, under the Plan at an average purchase price of \$7.94, \$3.22 and \$5.40, respectively.

10. Stockholders Equity

Reverse Stock Split

During the quarter ended June 30, 2002, the trading prices of our shares declined to less than \$1.00 per share. As a result, the Company was informed by NASDAQ on July 19, 2002, that its shares might be delisted from trading on the NASDAQ stock market. In response management proposed, and our Board of Directors and stockholders approved, a 1-for-4 reverse split of the Company's outstanding common stock effective as of December 9, 2002. All share amounts and all per share data in the consolidated financial statements and the notes thereto, including shares subject to outstanding stock options and option exercise prices, have been retroactively adjusted to give effect to this reverse stock split.

34

Treasury Stock

During fiscal 2001, we repurchased 125,000 shares of common stock at an aggregate cost of \$1,021,000.

Consulting Agreement

In July 1997, we granted options to an individual to purchase 133,000 shares of our common stock at an exercise price of \$1.32 per share as consideration for a five-year consulting agreement commencing on July 1, 1997. The options vested 20% per year commencing December 31, 1997 through December 31, 2001 and are exercisable on or before December 31, 2005. No amount was recognized for the value of the options, as the amount was insignificant.

Warrant Agreement

In May 1999, we granted a warrant to purchase 12,500 shares of our common stock at an exercise price of \$20.00 per share in connection with an exclusive license agreement. No amount was recognized for the value of the warrant, as the amount was insignificant. The warrant expired in March 2004 without having been exercised either in whole or in part.

Supplier Compensation Cost

During fiscal 1999, the Company granted warrants to purchase up to an aggregate of 150,000 shares of common stock, at an exercise price of \$20.00 per share, to collectible experts providing content for our websites. These warrants vested immediately and are exercisable over a ten-year term. The fair value of these options was expensed in fiscal 1999, and all of these options are outstanding at June 30, 2004.

11. Stock Option Plans

In January 1999, we adopted the PCGS 1999 Stock Incentive Plan (the "PCGS Plan"). The PCGS Plan, which was assumed by the Company at the time of its acquisition of PCGS, covers an aggregate of 269,250 shares of our common stock. In February 1999, we adopted the 1999 Stock Incentive Plan (the "1999 Plan"), which provides for grants of incentive stock options, nonstatutory stock options, and restricted stock grants to directors, officers, employees and consultants of Collectors Universe who provide valuable services to Collectors Universe, entitling them to purchase up to 437,250 shares of our common stock.

On December 5, 2000, the stockholders, at the Company's Annual Meeting, approved an amendment to the 1999 Plan to increase the authorized number of common stock that is issuable under this Plan from 437,250 to 749,750 shares.

On December 5, 2003, the stockholders, at the Company's Annual Meeting approved the 2003 Incentive Plan (the "2003 Plan"), which authorizes the grant of options and the issuance of restricted rights to purchase up to an aggregate of 500,000 shares of the Company's common stock to officers and other employees, non-employee directors and service providers of the Company and its subsidiaries.

The PCGS Plan and the 1999 Plan provide that the option exercise price per share may not be less than 100% of the fair market value of a share of common stock on the grant date, as determined by the Board of Directors, for incentive stock options and 85% of fair market value for nonstatutory stock options. The 2003 Plan provides that the exercise price of all options (whether incentive or non-statutory), and the purchase price of shares issued pursuant to restricted stock purchase rights, may not be less than 100% of the fair market value of the shares subject to such options or rights (as the case may be) on the date of grant. However, the exercise price of incentive stock options granted under any of the Plans to any individual possessing 10% or more of the voting power of all classes of our stock may not be less than 110% of the fair market value of a share of common stock on the grant date. The timing of exercise for individual option grants is at the discretion of the Board of Directors, and the options expire no later than ten years after the grant date (five years in the case of incentive stock options granted to individuals possessing 10% or more of the voting power of all classes of our stock). In the event of a change in control of the Company, an option or award of shares under these Plans will become fully exercisable if an agreement is not reached that provides for the surviving corporation to assume such options or awards or to substitute comparable options or awards for the options and awards granted under these Plans.

The following is a summary of stock option activity for fiscal 2004, 2003 and 2002 under the PCGS Plan and the 1999 Plan:

	Number of Shares	Price Per Share			Weighted-Average Exercise Price Per Share	
Options outstanding at June 30, 2001	754	\$ 8.44	-	\$ 30.52	\$ 15.24	
Granted	363	3.08	-	8.00	3.88	
Cancelled	(423)	3.08	-	30.52	12.60	
Exercised	(4)		\$ 3.08		3.08	
Options outstanding at June 30, 2002	690	3.08	-	30.52	\$ 10.96	
Granted	254	2.55	-	4.80	3.40	

Edgar Filing: COLLECTORS UNIVERSE INC - Form 10-K/A

Cancelled	(241)	3.08	-	30.52	10.83
Exercised	(1)		\$ 3.08		3.08
Options outstanding at June 30, 2003	702	2.55	-	30.52 \$	8.27
Granted	405	3.79	-	13.73	11.14
Cancelled	(81)	2.79	-	30.52	8.16
Exercised	(204)	2.55	-	8.00	4.25
Options outstanding as June 30, 2004	822	2.55	-	30.52 \$	10.56

The following table summarizes information about stock options outstanding at June 30, 2004:

(in thousands, except per share data)

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding	Weighted-Average Contractual Life (years)	Weighted-Average Exercise Price	Number of Shares Exercisable	Weighted-Average Exercise Price	
\$2.55 - \$ 2.79	15	8.6	\$ 2.73	12	\$ 2.76	
\$3.08 - \$ 3.80	231	8.3	\$ 3.33	137	\$ 3.38	
\$5.28 - \$ 5.80	16	7.7	\$ 5.58	3	\$ 5.28	
\$ 6.00	3	7.7	\$ 6.00	1	\$ 6.00	
\$ 7.60	60	9.4	\$ 7.60	60	\$ 7.60	
\$ 8.00	23	6.9	\$ 8.00	23	\$ 8.00	
\$10.00 - \$ 10.44	106	8.9	\$ 10.30	29	\$ 10.32	
\$ 12.00	8	6.0	\$ 12.00	8	\$ 12.00	
\$13.24 -						

\$						13.73
						220
						9.9
\$						13.69
						1
\$						13.24
\$						18.00
						22
						6.0
						47

Edgar Filing: COLLECTORS UNIVERSE INC - Form 10-K/A

\$	18.00
	14
\$	18.00
\$	20.00
	79
	4.8
\$	20.00
	60
\$	20.00
\$	21.48
	5
	5.8
\$	21.48
	4
\$	21.48
\$	24.00
	29
	48

	5.3
\$	24.00
	29
\$	24.00
\$	30.52
	5
	5.7
\$	30.52
	4
\$	30.52
	822
	385

At June 30, 2004 options to purchase a total of 385,000 shares of our common stock were exercisable at a weighted-average exercise price of \$10.17 per share. By comparison, at June 30, 2003 options to purchase a total of 358,000 shares were outstanding at a weighted-average exercise price of \$9.94 per share; and at June 30, 2002 options to purchase a total of 383,000 shares were outstanding at a weighted average exercise price of \$11.92 per share.

The weighted-average fair values of stock options granted during fiscal 2004, 2003 and 2002 were \$4.66, \$1.01 and \$1.60 per option share, respectively.

12. Related-Party Transactions

During the ordinary course of business, we provide grading services to certain entities that are owned, controlled or affiliated with our stockholders. Grading revenues received from stockholders amounted to \$0, \$0 and \$42,000 during the year ended June 30, 2004, 2003 and 2002, respectively. In addition, we purchased inventories from and sold inventories to certain of our stockholders. Purchases of inventories from stockholders totaled \$10,000, \$85,000 and \$173,000 during the years ended June 30, 2004, 2003 and 2002, respectively. Sales of inventory to stockholders totaled approximately \$41,000 during the year ended June 30, 2004.

J.D.R.C., Inc., an entity owned by a holder of 6% of our outstanding shares, provides research-consulting services to us related to our coin authentication and grading services. Amounts paid to J.D.R.C., Inc. related to these consulting services were \$95,000, \$11,000 and \$37,000 during the years ended June 30, 2004, 2003 and 2002, respectively. In addition, during 2003, J.D.R.C., Inc. received consignor advances of \$130,000 for collectibles consigned to auctions conducted by our collectible sales businesses. These advances were fully repaid in fiscal 2004.

In October 1998, we loaned \$180,000 to a former officer of the Company. The loan bore interest at 9% per annum. Total outstanding principal and interest was paid in December 2001.

During fiscal 2002, key employees purchased \$111,000 of rare coins and sports cards from the Company. During the ordinary course of business, certain key employees consigned collectibles to our auctions and received the auction proceeds upon sale, less commissions. Consignor payments to these employees aggregated \$470,000 in fiscal 2002.

In 2002, the Company had advanced a loan to Mr. David G. Hall, the Company's President, up to \$381,000. The loan, which was for a stated term, accrued interest at 10% per annum and was collateralized by 250,000 shares of our common stock owned by him. Accrued and unpaid interest at June 30, 2002 was \$31,000. In September 2002, Mr. Hall transferred to the Company 130,207 shares of the Company's common stock owned by him, with a fair value of \$386,000 or \$2.96 per share, in full satisfaction of the then outstanding principal and interest under the loan.

A member of the Board of Directors is also a partner in a professional services firm providing service to the Company. For each of the years ended June 30 2004, 2003 and 2002, the member was paid \$35,000, \$35,000 and \$26,000, respectively, as Board fees; and the professional services firm was paid \$390,000, \$237,000, and \$110,000, respectively, for services rendered.

In May 2003, the Company entered into a license agreement with DHRCC, Inc., which is wholly owned by David Hall and Van Simmons who are two of the Company's largest stockholders and two of the directors of the Company. Pursuant to that Agreement, the Company obtained (i) an exclusive license to use, for up to a four year period ending May 31, 2007, a customer list owned and compiled by DHRCC, and certain other intangible assets owned by DHRCC, and (ii) a non-exclusive license to use, in perpetuity, a coin inventory control software program owned by DHRCC, both for use by the Company's David Hall Rare Coins ("DHRC") Division, which was engaged in the business of selling collectible coins at retail. Under that agreement, the Company agreed to pay DHRCC, for the use of the DHRCC customer list, a royalty equal to one and one half percent (1.5%) of the net revenues of the Company's David Hall Rare Coins ("DHRC") Division, on a quarterly basis, but in no event to exceed (i) twenty percent (20%) of the quarterly pre-tax profits of that division, or (ii) an aggregate of \$500,000 per year, whichever was less. The Company also paid DHRCC a one time fee of \$5,000 for use of the other intangible assets licensed by the Company, including the coin inventory software program. The license agreement was terminable by either party at any time, without cause, on 30 days prior written notice to the other. Amounts paid to DHRCC by the Company pursuant to the license agreement totaled \$36,000 in fiscal 2003. The license agreement was terminated by the Company as a result of its decision, made in fiscal 2004, to discontinue its collectibles sales businesses. See Note 4.

DHRCC had been engaged in the business of selling collectible coins at retail until June 2000. As a result of the Company's decision to discontinue that business, DHRCC elected to resume selling collectible coins at retail and in connection therewith DHRCC purchased certain fixed assets, that had been utilized by the Company's DHRC division, for a purchase price of \$13,000, which was equal to the net book value of those assets on the Company's books at

March 31, 2003. DHRCC also has subleased from the Company, through November 6, 2009, approximately 2,200 square feet of office space, located at the Company's offices in Santa Ana, California, at a rent equal to between \$1.50 and \$1.75 per square foot per month. That rent is equal to the rent being paid to the Company by an unaffiliated subtenant for comparable space in the same building under a sublease entered into by the Company in March 2004. Rent received under the DHRCC sublease, which commenced on March 1, 2004, totaled \$13,000 in fiscal 2004.

In connection with its discontinuance of its retail coin sales business, effective March 1, 2004 the Company engaged DHRCC to sell the Company's remaining inventory of collectible coins that had been held for sale at retail by the Company's DHRC division. Sales of collectible coins by DHRCC pursuant to this engagement totaled \$840,000 in the period ended June 30, 2004 and the Company paid DHRCC commissions of \$84,000 in connection with those sales. At June 30, 2004, accounts receivable balances arising from those sales totaled \$376,000.

All of the above-described transactions with DHRCC were approved by the disinterested members of the Company's Board of Directors.

13. Commitments and Contingencies

Leases

The Company has various operating lease commitments for facilities and equipment that expire through November 2009. During fiscal 2004, the Company subleased office space that was excess to current requirements to an unaffiliated third party and also to a related party (see Note 12). Total rent expense, net of sublease income, was approximately \$1,462,000, \$1,523,000 and \$1,547,000, respectively, for the years ended June 30, 2004, 2003 and 2002. At June 30, 2004, future minimum lease payments under these agreements are as follows:

	(In thousands)		
	Company's Gross Payment	Sublease Income	Net
2005	\$ 1,150	\$ 244	\$ 906
2006	1,178	270	908
2007	1,204	279	925
2008	1,196	288	908
2009	1,202	297	905
Thereafter	430	106	324
	\$ 6,360	\$ 1,484	\$ 4,876

Employment Agreements

The Company has entered into employment agreements with certain executive officers and other key employees. The employment agreements provide for minimum salary levels, incentive compensation and severance benefits, among other items.

Consulting Agreement

In April 2000, the Company entered into a consulting agreement with a former executive officer. The agreement provided for payments of \$15,000 per month over a 20-month period. In fiscal 2002, consulting fees of \$75,000 were recorded as operating expenses under this consulting agreement. That agreement expired in November 2001.

Indemnification Obligations

The Company from time to time enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily relate to (i) agreements pursuant to which the Company has sold its discontinued collectibles sales businesses and which require the Company to indemnify the purchasers from certain contingent liabilities that might arise from the operation of those businesses prior to their sale by the Company, which is customary in business sale transactions such as these; (ii) certain real estate leases under which the Company may be required to indemnify property owners for environmental or other liabilities and other claims arising from the Company's use of the applicable premises; and (iii) certain agreements with the Company's officers and directors, under which the Company may be required to indemnify such persons for liabilities arising out of their relationships as officers or directors of the Company. The terms of such obligations vary by contract and in most instances a specific or maximum dollar amount is not explicitly stated therein. Historically, the Company has not been obligated to make significant payments under, and no liabilities have been recorded in the accompanying consolidated balance sheets for, these indemnification obligations.

38

Legal Matters

The Company has been named as a defendant in an action, that has been brought in the Superior Court of California, County of San Diego, by Real Legends, Inc., a seller of sports cards ("plaintiff"). In its suit, plaintiff has alleged that its business was ruined by its association with When It Was a Game ("WIWAG"), a sports card dealer who consigned sports cards to plaintiff, which sold those sports cards on eBay. It was subsequently discovered that WIWAG misrepresented the quality and authenticity of many of those sports cards that were sold, on its behalf, by plaintiff. The plaintiff does not contend that the Company was in any way involved in WIWAG's conduct. However, plaintiff contends that the Company is nevertheless responsible for the damage sustained by plaintiff as a result of WIWAG's activities, based on allegations made by plaintiff that the Company knew of prior incidents of questionable behavior by WIWAG and nevertheless introduced WIWAG to plaintiff without disclosing that information to plaintiff; allegations which the Company has denied. The plaintiff has claimed damages to its business amounting to \$4,000,000 and is also seeking punitive damages against the Company, as well as the other defendants. The Company is vigorously defending against, and believes that it will not incur any liability to plaintiff in, this action.

The Company is named, from time to time, as a defendant in lawsuits that arise in the ordinary course of its business. Management of the Company believes that none of those lawsuits currently pending against it is likely to have a material adverse effect on the Company.

14. Segment, Geographic and Major Customer Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The operating segments of the Company are organized based on the services it offers. Similar

operating segments have been aggregated to reportable operating segments based on having similar products or services, types of customers, and other criteria under SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*.

For our continuing operations, we operate principally in three service segments: coins, sportscards and other high-end collectibles. Services provided by these segments include authentication, grading, publication and advertising.

We allocate operating expenses to each service segment based upon activity levels. We do not allocate specific assets to these service segments. All of our sales and identifiable assets are located in the United States. No individual customer accounted for 10% or more of revenue in any of the years ended June 30, 2004, 2003 and 2002.

	Year Ended June 30		
	(in thousands)		
	2004	2003	2002
Net revenues from external customers			
Coins	\$ 17,474	\$ 12,171	\$ 10,014
Sportscards	7,126	6,946	7,917
Other	1,820	1,220	704
Total revenue	26,420	20,337	18,635
Operating income (loss) before unallocated expenses			
Coins	8,837	6,010	5,221
Sportscards	968	1,000	80
Other	(117)	(452)	(1,026)
Total	9,688	6,558	4,275
Unallocated operating expenses	(5,419)	(6,461)	(5,459)
Goodwill amortization	-	-	(90)
Goodwill impairment	-	(6)	(51)
Consolidated operating income (loss)	\$ 4,269	\$ 91	\$ (1,325)

15. Restatement

In the Company's consolidated statements of operations for the year ended June 30, 2003, \$8,917,000 of the cumulative effect of the accounting change resulting from the adoption of SFAS No. 142 was included in the loss from discontinued operations, because that amount was attributable to our discontinued collectible auction and direct sales businesses. Subsequent to the issuance of the Company's consolidated financial statements for the year ended June 30, 2004, the Company's management determined that this amount should have been included in cumulative effect of accounting change. As a result, the accompanying statement of operations for the year ended June 30, 2003 has been restated, as set forth below, to reclassify that amount from loss from discontinued operations to cumulative effect of accounting change. This restatement had no effect on the Company's previously reported net loss for the fiscal year ended June 30, 2003, or on the Company's previously reported results of operations or net income for the fiscal year ended June 30, 2004.

For the Year Ended

Edgar Filing: COLLECTORS UNIVERSE INC - Form 10-K/A

	June 30, 2003	
	(in thousands, except per share amounts)	
	As Previously Reported	As Restated
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	\$ (11,119)	\$ (2,202)
Cumulative effect of accounting change (net of income taxes)	\$ (56)	\$ (8,973)
Loss per basic share:		
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	\$ (1.79)	\$ (0.35)
Cumulative effect of accounting change (net of income taxes)	\$ (0.01)	\$ (1.45)
Loss per diluted share:		
Loss from discontinued operations net of gain on sales of discontinued businesses (net of income taxes)	\$ (1.77)	\$ (0.35)
Cumulative effect of accounting change (net of income taxes)	\$ (0.01)	\$ (1.43)

In addition, the Company has reclassified occupancy, security and insurance costs that directly relate to providing authentication and grading services of \$1,180,000, \$1,034,000 and \$919,000 for the years ended June 30, 2004, 2003 and 2002, respectively, from selling, general and administrative expenses to cost of revenues to conform to the classifications used beginning in the fiscal year ending June 30, 2005.

ITEM 9A. CONTROLS AND PROCEDURES

Our management, under the supervision and with the participation of its Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) in effect as of June 30, 2004. Based on this evaluation, including the restatement for the reclassification of a portion of the Company's 2003 loss from discontinued operations to cumulative effect of accounting change as set forth in Note 15 to the 2004 Consolidated Financial Statements reported elsewhere in this Form 10-K/A, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2004, our disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within these entities.

As is described elsewhere in this Report on Form 10-K/A, we have reclassified the portion of the loss from discontinued operations in fiscal 2003 that was attributable to our adoption of SFAS No. 142 to the cumulative effect of an accounting change. Our management has reviewed the process we employ in determining the classification and reporting of complex and unusual accounting matters. As a result of this review, we have adopted a policy and procedure whereby financial management will formally research relevant accounting literature relating to and, if necessary, retain the services of a qualified certified public accountant, other than our independent auditor, to assist us with respect to, the reporting of transactions that involve complex and unusual accounting matters.

Other than as described herein, there were no significant changes in our internal controls or in other factors that could significantly affect these controls during the period ended June 30, 2004 or subsequent to June 30, 2004.

Schedule II
Valuation and Qualifying Accounts for Continuing Operations
For the Years Ended June 30, 2002, 2003 and 2004

Description	Balance at Beginning of Period	Charged to Operating Expenses	Charged to Cost of Revenues	Deductions	Balance at End of Period
Allowance for doubtful accounts	\$ 344,000	\$ 100,000	\$ -	\$ (399,000)	\$ 45,000
Inventory reserve	-	-	-	-	-
Total at June 30, 2002	\$ 344,000	\$ 100,000	\$ -	\$ (399,000)	\$ 45,000
	\$ 45,000	\$ 210,000	\$ -	\$ (226,000)	\$ 29,000

Allowance for doubtful accounts						
Inventory reserve	-	-	-	-	-	-
Total at June 30, 2003	\$ 45,000	\$ 210,000	\$ -	\$ (226,000)	\$ 29,000	
Allowance for doubtful accounts						
	\$ 29,000	\$ 31,000	\$ -	\$ (30,000)	\$ 30,000	
Inventory reserve	-	-	53,000	-	53,000	
Total at June 30, 2004	\$ 29,000	\$ 31,000	\$ 53,000	\$ (30,000)	\$ 83,000	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLLECTORS UNIVERSE, INC

Date: January 18, 2005 By: /s/MICHAEL J. LEWIS
Chief Financial Officer

POWER OF ATTORNEY

Each person whose signature to this report appears below hereby appoints Michael R. Haynes and Michael J. Lewis, and either of them, individually, to act severally as attorneys-in-fact and agents, with power of substitution and resubstitution, for each of them, to sign on his behalf, individually and in the capacities stated below, and to file any and all amendments to this Annual Report, which amendment or amendments may make changes and additions as such attorneys-in-fact may deem necessary or appropriate.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ A. CLINTON ALLEN *	Chairman/Director	January 18, 2005
A. Clinton Allen		
/s/ MICHAEL R. HAYNES	Chief Executive Officer and Director	January 18, 2005
Michael R. Haynes		
/s/ DAVID HALL *	President and Director	January 18, 2005
David G. Hall		
/s/ MICHAEL J. LEWIS	Chief Financial Officer (Principal	January 18, 2005
Michael J. Lewis	Financial and Primary Accounting Officer)	
/s/ BEN A. FRYDMAN *	Director	January 18, 2005
Ben A. Frydman		
/s/ VAN D. SIMMONS *	Director	January 18, 2005
Van D. Simmons		
/s/ A.J. BERT MOYER *	Director	January 18, 2005
A.J. Bert Moyer		
/s/ DEBORAH A. FARRINGTON *	Director	January 18, 2005
Deborah A. Farrington		

* By /s/MICHAEL J. LEWIS
Michael J. Lewis, Attorney in Fact

Exhibit No.	DESCRIPTION
1.1	Form of Underwriting Agreement.*
3.2	Form of Amended and Restated Certificate of Incorporation of Collectors Universe, as currently in effect.*
3.3	Amended and Restated Bylaws of Collectors Universe, as adopted September 1, 1999.*
4.1	Registration Rights Agreement.*
4.2	Form of Registration Rights Agreement for Stockholders pursuant to private placement.*
5.1	Opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation.*
10.1	Collectors Universe 1999 Stock Incentive Plan.*
10.2	Form of Stock Option Agreement for the Collectors Universe 1999 Plan.*
10.4	PCGS 1999 Stock Incentive Plan.*
10.5	Form of Stock Option Agreement for the PCGS 1999 Plan.*
10.6	Employee Stock Purchase Plan.*
10.7	Form of indemnification Agreement.*
10.8	Asset Acquisition Agreement dated January 25, 1999 between Professional Coin Grading Service, Inc., Info Exchange, Inc. and Brent Gutekunst.*
10.9	Collectors Universe/eBay Mutual Services Term Sheet dated February 10, 1999, between the Company and eBay, Inc.*
10.10	Net Lease between Orix Searls Santa Ana Venture and Collectors Universe, dated June, 1999.*
10.11	Agreement for the Sale of Goods and Services dated March 31, 1999, between the Company and DNA Technologies, *
10.12	Contribution and Acquisition Agreement dated February 3, 1999, between the Company and Hugh Sconyers.*
10.13	Contribution and Acquisition Agreement dated February 3, 1999, between the Company and BJ Searls.*
10.14	Contribution and Acquisition Agreement dated February 3, 1999, between the Company and Greg Bussineau.*
10.15	Contribution and Acquisition Agreement dated February 3, 1999, between the Company and Lyn F. Knight Rare Coins*
10.16	Contribution and Acquisition Agreement dated February 3, 1999, between the Company, Kingswood Coin Auction, LLC and the Members of Kingswood.*
10.17	Contribution and Acquisition Agreement dated February 3, 1999, between the Company and Professional Coin Grading Service, Inc.*
10.18	Employment Agreement dated March 1999, between Superior Sportscard Auctions, LLC and Greg Bussineau.*
10.19	Employment Agreement dated March 5, 1999, between Lyn F. Knight, Lyn Knight Currency Auctions, Inc. and Collectors Universe.*
10.24	Asset Purchase Agreements between Collectors Universe, Inc. and Auctions by Bowers and Merena, Inc., Bowers and Merena Galleries, Inc. and Bowers and Merena Research, Inc. (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated March 21, 2000).*
10.25	Asset Purchase Agreements dated February 19, 2004 between Collectors Universe, Inc. and Spectrum Numismatics, Inc. (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated February 19, 2004).

- 10.26 Non-Competition Agreement dated February 19, 2004 between Collectors Universe, Inc. and Spectrum Numismatics, Inc. (Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated February 19, 2004).
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Registered Public Accounting Firm
- 31.1 Certifications of CEO Pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002.
- 31.2 Certifications of CFO Pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002.
- 32.1 CEO Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 CFO Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference to the same numbered exhibit to the Company's Registration Statement (No. 333-86449) on Form S-1 filed with the Commission on September 2, 1999.