

Annual Report & Financial Statements

The directors are pleased to present the Annual Report, Financial Statement and Group Financial Statements of Mowbray Collectables Limited for the year ended 31 March 2005.

For and on behalf of the Board of Directors



Murray Radford
Chairman



John Mowbray
Director

29 June 2005

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Directors' Report

The directors are delighted to present to shareholders this fourth annual report of the Mowbray Collectables Ltd group of companies. This report covers the activities of the group for the year to 31 March 2005.

Financial Results

The Directors are pleased to report another year of significant growth for the company. The result is a deficit of \$169,775 after taxation, compared with a surplus last year of \$394,262. This result includes net interest income of \$7,596, associate company's deficit of \$108,407 (\$330,390 surplus last year), tax \$62,761, depreciation \$30,566, and amortisation of \$164,066.

Our current accounting policy is to write off goodwill over ten years, so goodwill amortised to date is now \$750,000. We were unable to adopt International Accounting Standards in 2005, but expect to do so in the financial year ending 31 March 2006. This means, providing goodwill value remains, we may no longer need to amortise it, leading to a positive effect on our results.

Dividend

Since last year's annual report, we have paid an interim dividend of 1.5 cents per share and a final dividend of 1.5 cents per share.

Trading

Overall the group traded to expectations.

J R Mowbray (Philatelist) continues to perform satisfactorily, but profit was reduced on the previous year. Significant resources, including staffing, are being allocated in the current year to improve the performance of this mail auction business.

John Mowbray International held its 12th annual stamp and coin auction in November, achieving sales of \$720,000. A Private Treaty list in conjunction with the Sydney International Stamp Exhibition this April has proved a great success.

The *House of Stamps* continues to trade well, with a similar result to last year.

Bethunes Rare Books has ceased to trade, following the transfer of the division to Webb's. Higher than expected costs in this process led to a small deficit this year.

Wildlife Philatelic Collections Pty Ltd (World Wide Fund for Nature Stamp Program) in Australia had another good year. Its result is down on last year due to the cyclical effect of its marketing program, and will be much enhanced this coming year with good results from promotions through Australia Post in June 2005.

The *New Zealand World Wide Fund for Nature Stamp Program* had a reasonable year. Its result in this current year should be much improved following a long delayed marketing campaign with New Zealand Post in conjunction with the WWF stamp issue this August.

Stanley Gibbons Australia Pty Ltd had another strong sales year with significant interest in coins. The costs of two offices affect its overall financial performance and this issue is being addressed. The major auction held in conjunction with the Pacific Explorer Sydney Stamp Show in April 2005 was a huge success with sales of over A\$1,500,000 - a record for an Australasian stamp auction. As this was in the current financial year, it did not contribute to the groups' result, but will have significance this coming year.

Peter Webb Galleries Ltd is now 49% owned by Mowbray Collectables, as in September 2004 we exercised our option to increase our stake from 33% to 49%. As forecast last year, the result this year was significantly affected by having one less sale in the financial year due to the timing of auction dates. Their sales continue to be market leaders and we continue to be impressed with the management team led by Peter and Ann Webb. Trading since balance date is good.

Mowbray Collectables Limited

Bonhams & Goodman was a major investment in December 2004. We have purchased 20% of the fourth largest auction house in Australasia. Based in Sydney, they have since purchased 50% of Theodore Bruce, the leading auction house in Adelaide. They seek further acquisitions and our capital input will facilitate this. Coinciding with our investment, Bonhams (of London) purchased 8% of Bonhams & Goodman, their only licensee. This commitment by the world's third largest auction house (and fastest growing) is seen by the directors as positive for our investment. Subject to pre-emptive rights by Bonhams, we have the right to increase our shareholding in Bonhams & Goodman to 30%. Since balance date, Bonhams & Goodman have successfully auctioned all of the Rover car stock in Australia on behalf of the liquidator - a total of A\$8M over five sites simultaneously.

Imperial Productions Ltd - we announced in July last year our purchase of 49% of this business, subject to a satisfactory shareholders agreement. For various reasons, this was unable to be completed and we have not concluded the purchase. In the meantime we have given our full support to Imperial Productions Ltd.

Staff

The directors are most appreciative of the contribution made by managers and staff to the overall success of the group, and their positive commitment to achieving the goals we have set.

Main Board Listing, New Zealand Exchange Ltd

We have now been listed on the Main Board for two years. It has not only given greater liquidity to share trading but enables us to pay dividends, five so far. The current share price of \$1.42 reflects the interest taken in Mowbray Collectables with shareholder numbers up 7% on last year.

Outlook

Trading continues to be strong. We continue to explore further investment opportunities which are compatible with our strategic aim. With our investments in Webb's and Bonham & Goodman, we are well positioned to take advantage of future developments in the Australasian auction scene.

Corporate Governance

The Board of Directors of Mowbray Collectables Ltd is elected by shareholders to supervise and direct the management of the business and affairs of the company. The Board currently comprises one executive director, John Mowbray, and two non-executive directors, Murray Radford and Ian Halsted. The Board has determined that the non-executive directors are Independent Directors as defined in the NZX Listing Rules.

The Board of Directors delegates to the managing director (John Mowbray) the day to day management of the business and affairs of the company.

The Board has constituted an Audit Committee of the non-executive directors.

The constitution specifies that at each annual meeting one non-executive director must retire by rotation. This year Murray Radford retires but offers himself for re-election.

During the year all directors attended each directors' meeting.

The shareholdings and dealing of the directors are detailed on page 22.

For and on behalf of the Board of Directors.



Murray Radford
Chairman



John Mowbray
Managing Director



Ian Halsted
Director

Company Profile

The Mowbray Collectables group consists of six business units and two investments:

New Zealand

- 1. J R Mowbray (Philatelist) - Main Highway, Otaki, Phone 06 364 8270**
Dealers in stamps. Monthly postal auctions are held and catalogues posted to thousands of collectors worldwide. The company is a major buyer of collections worldwide.
- 2. John Mowbray International - P O Box 80, Wellington**
We hold New Zealand's largest stamp auction annually, with an international clientele. Each sale realises between \$600,000 and \$800,000.
- 3. House of Stamps - P O Box 12, Paraparaumu**
Retail/wholesale mail order dealer in NZ stamps and philatelic accessories. Agents for various producers including Stanley Gibbons, Davo, Prinz, Scott.
- 4. World Wide Fund for Nature Stamp Programme - P O Box 444, Wellington**
NZ agent for WWF stamps worldwide, selling by continuity programmes.

Australia

- 5. Stanley Gibbons Australia Pty Ltd** - 36 Clarence Street, Sydney, phone +61 2 9299 1300; and 343 Little Collins Street, Melbourne, phone +61 3 9670 0086
Auctioneers of stamps and coins. Four sales held by each office annually. The company operates under licence to Stanley Gibbons PLC of London.
- 6. Wildlife Philatelic Collections Pty Ltd - P O Box 107, Rosebery, Sydney, NSW 1445, Australia**
Australian agent for the World Wide Fund for Nature Stamp Programme, selling by continuity programme.

Investments

- 7. Peter Webb Galleries Ltd - 18 Manukau Road, Newmarket, Auckland**
We own 49% of this business, New Zealand's premier art auction house.
- 8. Bonhams & Goodman - 7 Anderson Street, Double Bay, Sydney, NSW 2028, Australia**
We own 20% of this fast growing business, Australia's fourth largest auction house.

Board of Directors

Murray Radford BCA, CA, M Inst. D - Chairman

Murray is Chairman and a shareholder of the company, holding 265,000 shares. He is chairman of Dorchester Pacific Ltd, a publicly-listed financial services group, and a director of a number of private companies. Previously Murray worked in stockbroking in London and New Zealand for approximately 20 years and was a member of the Stock Exchange for 13 years.

John Mowbray BCA - Managing Director

John is the largest shareholder of the company; holding 4,403,237 shares. Since starting his business in 1963, John has made philately his career, specialising in the auctioning of stamps. He is past president of the New Zealand Stamp Dealers Association, and a past president of the International Federation of Stamp Dealer Associations (IFSDA). From 1989-1995 he was a director of Stanley Gibbons PLC Ltd, London.

John is currently an executive member of the Auctioneers Association of NZ, member of Board of Trustees - Wanganui Collegiate School, Patron Waikanae Rugby Club and Kapiti Philatelic Society and Chairman Horowhenua-Kapiti Rugby Union.

Ian Halsted - Director

Ian is a director and shareholder in the company, holding a direct and indirect interest in 146,250 shares. He recently retired as Managing Director of Hedley Byrne NZ Ltd. He is also a director of Mr Chips Ltd and Radford & Co of Wellington. Previous positions include Director Hallensteins Bros 1967-89, Managing Director Hallenstein Glasson Ltd 1985-89, President Retailers Federation and President NZ Institute of Management, Otago Division. Ian was also a member of the Distribution Industry Advisory Group to Government.

Statement of Financial Performance

For the year ended 31 March 2005

	Notes	Group		Parent	
		2005 \$	2004 \$	2005 \$	2004 \$
Operating revenue	1	3,592,140	4,073,493	483,799	(46,326)
Surplus (deficit) before interest, taxation, depreciation and amortisation		221,191	346,624	185,104	(341,213)
Depreciation	10	30,566	31,903	677	1,052
Amortisation		164,006	167,292	-	-
Loss on sale of goodwill	8	32,822	-	-	-
Surplus (deficit) before interest and taxation		(6,203)	147,429	184,427	(342,265)
Interest income	1	20,363	20,772	30,631	-
Interest expense		(12,767)	(891)	(10,644)	-
Surplus (deficit) before income tax	2	1,393	167,310	204,414	(342,265)
Taxation	3	62,761	103,438	(2,289)	2,929
Associates share of net surplus (deficit)	13	(61,368) (108,407)	63,872 330,390	206,703 2,336	(345,194) 330,390
Net surplus (deficit) after taxation		(169,775)	394,262	209,039	(14,804)

Statement of Movements in Equity

For the year ended 31 March 2005

	Notes	Group		Parent	
		2005 \$	2004 \$	2005 \$	2004 \$
Equity at beginning of year		4,237,897	4,138,905	3,630,308	3,965,244
Recognised revenues and expenses					
Surplus (deficit) after taxation		(169,775)	394,262	209,039	(14,804)
Movement in foreign currency translation reserve	5	(27,843)	24,862	-	-
Total recognised revenues and expenses		(197,618)	419,124	209,039	(14,804)
Share capital issued	4	1,263,800	-	1,263,800	-
Cost of raising capital	4	(17,112)	(5,820)	(17,112)	(5,820)
Distributions to shareholders		(404,042)	(314,312)	(404,042)	(314,312)
Equity at end of year		4,882,925	4,237,897	4,681,993	3,630,308

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March 2005

	Notes	Group		Parent	
		2005 \$	2004 \$	2005 \$	2004 \$
EQUITY					
Share capital	4	5,582,099	4,335,411	5,582,099	4,335,411
Accumulated deficit	6	(606,442)	(32,624)	(900,106)	(705,103)
Foreign currency translation reserve	5	(92,732)	(64,890)	-	-
Total Equity		4,882,925	4,237,897	4,681,993	3,630,308
Represented by:					
CURRENT ASSETS					
Bank accounts & deposits		377,216	803,773	3,470	33,755
Receivables		1,045,706	843,392	11,264	2,500
Taxation	3	36,528	(13,003)	22,712	10,544
Other current assets	14	74,133	-	74,133	-
Inventory	7	1,274,441	1,418,181	-	-
Loans to subsidiaries	8	-	-	824,674	(271,488)
Related party receivables	8	7,436	(1,627)	-	-
Total Current Assets		2,815,460	3,050,716	936,253	(224,689)
CURRENT LIABILITIES					
Trade creditors		915,169	984,983	27,783	18,284
Other payables & accruals	9	251,562	215,037	104,928	79,018
Loan	15	250,000	-	250,000	-
Current portion of hire purchase	16	3,731	-	-	-
Total Current Liabilities		1,420,462	1,200,020	382,711	97,302
WORKING CAPITAL		1,394,998	1,850,696	553,542	(321,991)
NON-CURRENT ASSETS					
Deferred tax	3	41,743	44,445	15,147	12,858
Plant & equipment	10	95,668	107,793	902	1,140
Goodwill	11	857,191	1,059,519	-	-
Investment in associates	13	2,499,695	1,175,444	1,349,545	1,175,444
Investment in subsidiaries	12	-	-	2,762,857	2,762,857
Total Non-Current Assets		3,494,297	2,387,201	4,128,451	3,952,299
NON-CURRENT LIABILITIES					
Non-current portion of hire purchase	16	6,370	-	-	-
Total Non-Current Liabilities		6,370	-	-	-
NET ASSETS		4,882,925	4,237,897	4,681,993	3,630,308

For and on behalf of the Board of Directors


John R Mowbray
Managing Director

Murray C Radford
Chairman

30 May 2005

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 March 2005

	Notes	Group		Parent	
		2005 \$	2004 \$	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from (applied to)					
Receipts from customers		3,458,222	3,854,799	(7,593)	(46,326)
Interest received		20,362	20,772	3,775	-
Dividends received		308,235	200,000	308,235	200,000
Payments to suppliers & employees		(3,328,893)	(3,696,398)	(275,101)	(326,686)
Interest paid		(12,767)	(891)	-	-
Taxation paid		(109,593)	(88,559)	(22,712)	(6,485)
Net cash flow from operating activities	18	335,566	289,723	6,604	(179,497)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from (applied to)					
Proceeds from sale of plant & equipment		17,500	-	-	-
Proceeds from sale of investment		5,500	-	-	-
Purchase of plant & equipment		(35,940)	(39,342)	(439)	-
Loans made	14	(74,133)	-	(74,133)	-
Purchase of investments	13	(1,740,892)	(7,835)	(480,000)	(7,835)
Net cash flows from investing activities		(1,827,965)	(47,177)	(554,572)	(7,835)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from (applied to)					
Issue of equity share capital	4	1,263,800	-	1,263,800	-
Cost of raising capital	4	(17,112)	(5,820)	(17,112)	(5,820)
Dividend paid		(404,042)	(314,312)	(404,042)	(314,312)
Loans received/(repaid)		251,039	(873)	(324,963)	422,370
Net cash flow from financing activities		1,093,685	(321,005)	517,683	102,238
Net increase/(decrease) in cash held		(398,714)	(78,459)	(30,285)	(85,094)
Cash at beginning of year		803,773	857,370	33,755	118,849
Effect of exchange rate change on foreign currency balance	5	(27,843)	24,862	-	-
Cash at end of year		377,216	803,773	3,470	33,755
Comprising:					
Cash at bank - New Zealand		44,268	366,662	3,470	33,755
- Australia		332,948	437,111	-	-
		377,216	803,773	3,470	33,755

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Accounting Policies

For the year ended 31 March 2005

The Financial Statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

Reporting Entity & Period

For the results to 31 March 2005 the Mowbray Collectables Limited Group comprises the following entities:

- Mowbray Collectables Limited (Parent)
- Mowbray Bethunes Limited
- Stanley Gibbons (Australia) Pty Limited
- Wildlife Philatelic Collections Pty Limited

Basis for Preparation

The accounting principles recognised as appropriate for the measurement and reporting of financial position on a historical cost basis are followed by the group:

Specific Accounting Policies

The specific accounting policies used in the preparation of the Financial Statements are as follows:

a) Consolidation of Subsidiaries

The group financial statements incorporate the financial statements of the Company and its subsidiaries, which have been consolidated using the purchase method. The results of subsidiaries acquired during the prior year are consolidated from the effective dates of the acquisition.

All inter-company transactions, balances and unrealised profits are eliminated on consolidation.

The Australian subsidiaries Statement of Financial Performance is translated quarterly using the quarterly average exchange rate and the Statement of Financial Position is translated at the closing exchange rate as at 31 March. Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance.

b) Equity Accounting of Associate Entities

Equity accounting has been applied in respect of associate entities. Associate entities are those entities in which the company holds an interest in the equity and exercise significant influence but not control. These financial statements incorporate the Company's share of the associate entity's surplus or deficit, adjusted for goodwill, and any additional depreciation in relation to the fair value of the associate entity's fixed assets. The Company's interest in the associate is carried at an amount which reflects fair value of the net assets at acquisition adjusted as above.

Dividends received from associates are recognised directly against the carrying value of the investment.

c) Goodwill

Goodwill on acquisition of subsidiaries is recognised as an asset and separately identified. Goodwill is amortised on a straight line basis over the period of expected benefits, which the directors have determined to be 10 years.

The excess cost of the fair value at the date of acquisition of the assets of the associate entities is capitalised as goodwill and amortised on a straight line basis over the period of expected benefit. This period has been assessed as 10 years from the date of acquisition. The carrying value of goodwill is reviewed annually and adjusted as considered necessary.

d) Receivables

Accounts receivable are stated at their estimated realisable value after making provision for any debts considered uncollectable.

e) Inventory

Inventory is valued at the lower of cost or net realisable value.

In circumstances where cost cannot be separately identified, the lower of cost or net realisable value is determined by using a percentage of face value or estimated selling value.

An obsolescence provision of 20% is applied to auction stock unsold after being available for sale in three auctions.

Statement of Accounting Policies

For the year ended 31 March 2005

f) Plant & Equipment

Plant and equipment are recorded at historical cost less depreciation to date.

g) Depreciation

Depreciation has been calculated using the following rates:

Leasehold improvements	6% - 12% DV
Plant & equipment	10% - 48% DV
Furniture & fittings	14% - 40% DV
Computer equipment	26% - 48% DV

h) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis. GST payable at balance date is included in current liabilities. Receivables and payables are disclosed inclusive of GST if applicable.

i) Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance.

j) Taxation

Taxation charged against profits for the period is the estimated liability, using the comprehensive method of calculation, for both current and deferred taxation, adjusted by the amount of any under or over provision of taxation in respect of prior years.

k) Employee Entitlements

Employee entitlements to salaries and wages, annual and long service leave are recognised when they accrue to employees.

l) Translation of Financial Statements of Foreign Operations

Assets and liabilities of independent foreign operations are translated at the closing rate. Revenue and expense items are translated at a weighted average of exchange rates over the period, as a surrogate for the spot rates at transaction dates. Exchange differences arising are taken to the foreign currency translation reserve and recognised in the Statement of Movements in Equity.

m) Comparative Figures

The comparative figures for the Financial Statements are for the year ended 31 March 2004.

Changes in Accounting Policies

There have been no changes in accounting policies during the period.

Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the Statement of Cash Flows:

“Cash” includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings, such as bank overdrafts, used by the Company and the Group and those activities relating to the cost of servicing the Company’s and the Group’s equity capital.

“Investing Activities” are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

“Financing Activities” are those activities relating to changes in the equity and debt capital structure of the Company and the Group and those activities relating to the cost of servicing the Company’s and the Group’s equity capital.

“Operating Activities” include all transactions and other events that are not investing or financing activities.

Notes to the Financial Statements

For the year ended 31 March 2005

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$
1. Total Revenue				
Total revenue comprises:				
Turnover & auction commission	3,580,375	4,072,243	-	-
Management fees from subsidiaries	-	-	34,863	(46,326)
Dividends received	-	-	448,936	-
Miscellaneous income	11,765	1,250	-	-
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Operating revenue	3,592,140	4,073,493	483,799	(46,326)
Interest income	20,363	20,772	30,361	-
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	3,612,503	4,094,265	514,160	(46,326)
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2. Surplus (Deficit) before Income Tax				
Included in the surplus (deficit) before income tax are the following:				
<i>Expenses</i>				
Audit fees	47,991	44,670	47,991	44,670
Bad debts	10,055	13,422	-	-
Directors' fees	26,970	20,231	26,970	20,231
Legal fees	11,303	15,414	8,031	11,294
Operating lease rental expenses	174,356	193,148	-	-
3. Taxation				
Taxation expense				
Net surplus/(deficit) before taxation	1,393	167,310	204,414	(342,265)
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Prima-facie tax	460	55,212	67,457	(112,947)
Adjustment for difference in NZ and Australian tax rates	(3,106)	(6,552)	-	-
Add/(less) taxation effect of permanent differences:				
Amortisation of intangible assets	54,121	55,206	-	-
Other non-deductible items	11,286	2,825	(148,319)	27,636
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Taxation expense/(benefit of losses) for year	62,761	106,691	-	-
Group offsets	-	-	78,573	88,240
Underprovision for income tax last year	-	(3,253)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Taxation expense (benefit)	62,761	103,438	(2,289)	2,929
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The taxation expense comprises:				
Current taxation	60,059	103,865	-	27,636
Underprovision for income tax last year	-	(3,253)	-	(27,636)
Future income tax benefit	2,702	2,826	(2,289)	2,929
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	62,761	103,438	(2,289)	2,929
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Notes to the Financial Statements

For the year ended 31 March 2005

	Group		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
3. Taxation continued				
Taxation payable/(refundable)				
Balance at beginning of year	13,033	(277)	(10,544)	(4,059)
Adjustment for foreign exchange movement on opening balance	(2,450)	608	-	-
Income tax (paid)/refunded	(21,372)	33,229	10,544	-
Provision for income tax for the current year	59,841	100,612	-	-
Foreign investors tax credit	(6,634)	(6,485)	(6,634)	(6,485)
Transfers to/from other taxes	(196)	225	-	-
Provisional tax paid	(76,875)	(113,282)	(14,632)	-
Prior year adjustments	-	-	-	-
Interest resident withholding tax	(1,845)	(1,627)	(1,446)	-
Balance at end of year	(36,528)	13,003	(22,712)	(10,544)
Deferred Tax				
Opening balance	(44,445)	(46,044)	(12,858)	(15,787)
Foreign Exchange movement	1,197	(1,227)	-	-
Current year charge	1,505	2,826	(2,289)	2,929
Balance at end of year	(41,743)	(44,445)	(15,147)	(12,858)
Imputation Credits				
Balance at beginning of year	305,649	296,981	56,537	17,881
Imputation credits attached to dividends received	152,107	98,507	284,778	186,954
Other credits	8,480	8,112	8,080	6,485
Imputation credits attached to dividends paid	(199,006)	(154,783)	(199,006)	(154,783)
Taxation paid	55,629	69,103	-	-
Taxation refunded	(16,125)	(12,271)	-	-
Balance at end of year	306,734	305,649	150,389	56,537

4. Share Capital

Company and Group	2005		2004	
	Number	\$	Number	\$
Ordinary Shares – fully paid				
Balance at beginning of year	8,978,714	4,335,411	8,978,714	4,341,231
Share capital issued to directors	-	-	-	-
Share capital issued to public	890,000	1,263,800	-	-
Cost of raising capital	-	(17,112)	-	(5,820)
Share capital at end of year	9,868,714	5,582,099	8,978,714	4,335,411

All shares are fully paid and have equal voting rights. All shares participate equally in any dividend distribution or any surplus on the winding up of the company.

Notes to the Financial Statements

For the year ended 31 March 2005

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$
5. Foreign Currency Translation Reserve				
Balance at beginning of year	(64,890)	(89,752)	-	-
Arising on translation of independent foreign operations	(27,843)	24,862	-	-
Balance at end of year	(92,732)	(64,890)	-	-
6. Accumulated Surplus/(Deficit)				
Balance at beginning of year	(32,624)	(112,574)	(705,103)	(375,987)
Dividend paid to shareholders	(404,042)	(314,312)	(404,042)	(314,312)
Surplus/(deficit) for period after taxation	(169,775)	394,262	209,039	(14,804)
Accumulated surplus/(deficit) at end of year	(606,442)	(32,624)	(900,106)	(705,103)
7. Inventory				
Auction inventory	965,233	1,026,536	-	-
WWF chapters on hand	217,974	246,440	-	-
Books on hand	-	18,704	-	-
Inventory in transit	-	25,218	-	-
Other	91,234	101,283	-	-
Total Inventory	1,274,441	1,418,181	-	-
8. Related Parties				
Transactions				
All transactions between companies within the group were conducted on an arm's length basis.				
Sales by the company to its subsidiaries totalled \$34,863 (2004: \$(43,326)) and comprised of management fees charged to the Australian subsidiaries. Interest was charged between Mowbray Collectables Limited and Auction Investments Limited \$26,857 (2004: Nil). A fully imputed dividend was paid from Mowbray Bethunes Limited to Mowbray Collectables Limited of \$448,936 (2004: Nil). There were no purchases from subsidiaries.				
A division of the group, Bethunes Rare Books, was sold to Peter Webb Galleries Ltd during the year. The effect on the group's result from this sale is a loss on sale of goodwill of \$32,822.				
Andrew Pitt, a director of Wildlife Philatelic Collections Pty Limited, provides management and fulfilment services to that company through Barlow International Pty Limited, on commercial terms negotiated with the managing director of Mowbray Collectables Limited. Wildlife Philatelic Collections Pty Limited also pays rent to Barlow International Pty Limited.				

Notes to the Financial Statements

For the year ended 31 March 2005

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$

8. Related Parties continued

Outstanding balances

Amounts outstanding between the company and related parties are:

Mowbray Bethunes Limited	-	-	(125,306)	(66,210)
World Wide Fund for Nature Stamp Program	-	-	(10,908)	(4,902)
Stanley Gibbons (Australia) Pty Limited	-	-	(23,987)	(11,826)
Wildlife Philatelic Collections Pty Limited	-	-	(285,297)	(188,012)
Auction Investments Ltd	-	-	1,287,748	-
Agencies	7,436	(1,627)	(17,576)	(538)
	<u>7,436</u>	<u>(1,627)</u>	<u>824,674</u>	<u>(271,488)</u>

The related party receivables in the Group Statement of Financial Position are receivables in respect of agencies held by the Group.

The Group holds three agency agreements with Tokelau Philatelic Bureau (Tokelau), Children's Health Camp (CHC) and New Zealand Post (NZ Post) respectively.

The Group is entitled to a share of the profits derived under their agency agreements with Tokelau and CHC. In addition the Group charges management fees for administering these arrangements. The Group recognises the management fees and profit share under these arrangements in these financial statements.

The Group has an agreement to supply, at a reduced rate, chapters and albums to NZ Post. Under the agreement, the Group receives a share of the profits from sales made by NZ Post. The sales to NZ Post and the Group's profit share are recognised in these financial statements.

The National Bank has provided a guarantee of \$75,000 to New Zealand Exchange Limited on behalf of the Group. The bank holds a personal guarantee from John Mowbray to cover this obligation.

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$

The premises in Otaki that are used by the Group are owned by or leased from entities associated with John Mowbray. Rent was set by an independent valuer. Leases were signed by the directors on 18 December 2000. Rent paid was

	49,175	52,619	-	-
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9. Other Payables and Accruals

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$

In current liabilities the balance of other payables and accruals comprise:

Other payables and accruals	109,806	79,544	59,026	40,055
Employee entitlements	141,756	135,493	45,902	38,963
Total other payables and accruals	<u>251,562</u>	<u>215,037</u>	<u>104,928</u>	<u>79,018</u>

Notes to the Financial Statements

For the year ended 31 March 2005

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$
10. Plant & Equipment				
Leasehold improvements				
Cost	19,150	19,150	-	-
Accumulated depreciation	(11,733)	(10,496)	-	-
	7,417	8,654	-	-
Office furniture and equipment				
Cost	128,929	132,686	-	-
Accumulated depreciation	(92,308)	(88,180)	-	-
	36,621	44,506	-	-
Plant & equipment				
Cost	149,747	142,441	-	-
Accumulated depreciation	(107,154)	(100,836)	-	-
	42,593	41,605	-	-
Computer equipment				
Cost	55,590	57,854	5,533	5,094
Accumulated depreciation	(46,553)	(44,826)	(4,631)	(3,954)
	9,037	13,028	902	1,140
Total cost	353,416	352,131	5,533	5,094
Total accumulated depreciation	(257,748)	(244,338)	(4,631)	(3,954)
	95,668	107,793	902	1,140
Depreciation Expense by Category				
Leasehold improvements	1,237	1,257	-	-
Office furniture and equipment	6,958	7,972	-	-
Plant and equipment	14,345	10,758	-	-
Computer equipment	8,026	11,916	677	1,052
	30,566	31,903	677	1,052
11. Goodwill				
On acquisition of subsidiaries	1,607,191	1,672,924	-	-
Accumulated amortisation	(750,000)	(613,405)	-	-
	857,191	1,059,519	-	-
On acquisition of subsidiaries				
Opening balance	1,672,924	1,672,924	-	-
Sale of Bethunes Rare Books	(65,733)	-	-	-
	1,607,191	1,672,924	-	-
Accumulated amortisation				
Opening balance	(613,405)	(446,113)	-	-
Amortisation for year	(164,005)	(167,292)	-	-
Sale of Bethunes Rare Books	27,410	-	-	-
	(750,000)	(613,405)	-	-

Notes to the Financial Statements

For the year ended 31 March 2005

12. Investment in Subsidiaries

Subsidiaries owned at 31 March 2005	% Holding at Balance Date		Principal Activities	Balance Date	Origin of Incorporation
	2005	2004			
Mowbray Bethunes Ltd	100%	100%	Stamp, philatelic, retailer & auctioneer	31 March	New Zealand
World Wide Fund for Nature Stamp Program (New Zealand Agency)	100%	100%	International stamp program agency	31 March	New Zealand
Wildlife Philatelic Collections Pty Ltd	100%	100%	International stamp program agency	31 March	Australia
Stanley Gibbons (Australia) Pty Ltd	100%	100%	International stamp auctioneer	31 March	Australia
Auction Investments Ltd (incorporated 15 December 2004)	100%	-	Holding company	31 March	New Zealand

13. Investment in Associates

Name of Company	Principal Activities	Ownership and Voting Interest		Carrying Amount	
		2005	2004	2005	2004
		%	%	\$000	\$000
Peter Webb Galleries Ltd	NZ auctioneer	49	33	1,350	1,175
First East Auction Holdings Pty Ltd	Australian auctioneer	20	-	1,150	-
				<u>2,500</u>	<u>1,175</u>

The reporting date of Peter Webb Galleries Ltd is 31 March, and the group's share of the results of operations for the year ended on that date has been included in the group financial statements. On 1 October 2004 the company exercised its rights to purchase a further 16% holding in Peter Webb Galleries Limited. From 1 April 2004 to 30 September 2004, a 33% share of profit was included and from 1 October 2004 to 31 March 2005, a 49% share of profit was included. Peter Webb Galleries Ltd is incorporated in New Zealand.

The reporting date of First East Auction Holdings Pty Ltd, trading as Bonhams & Goodman, is 30 June. The purchase of 20% of First East Auction Holdings Pty Ltd was completed on 24 December 2004. The group's share of the results of operations from 1 January 2005 to 31 March 2005 has been included in the group financial statements. First East Auction Holdings Pty Ltd is incorporated in Australia and trades as Bonhams & Goodman.

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$
Carrying amount of investment in associate				
Carrying amount at beginning of year	1,175,444	1,037,219	1,175,444	1,037,219
Purchase of associate	1,692,570	-	480,000	-
Expenses capitalised	48,323	7,835	-	7,835
	<u>2,916,337</u>	<u>1,045,054</u>	<u>1,655,444</u>	<u>1,045,054</u>
Share of net surplus	(108,407)	330,390	2,336	330,390
	<u>2,807,930</u>	<u>1,375,444</u>	<u>1,657,780</u>	<u>1,375,444</u>
Dividends received	(308,235)	(200,000)	(308,235)	(200,000)
Carrying amount at end of year	<u>2,499,695</u>	<u>1,175,444</u>	<u>1,349,545</u>	<u>1,175,444</u>
The carrying value is comprised of:				
Cost	146,769	225,305	328,361	225,305
Share of associate post acquisition reserves	(73,500)	212,364	7,287	212,364
Goodwill	2,426,426	737,775	1,013,897	737,775
	<u>2,499,695</u>	<u>1,175,444</u>	<u>1,349,545</u>	<u>1,175,444</u>

Notes to the Financial Statements

For the year ended 31 March 2005

12. Investment in Associates continued

	Group		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
Goodwill				
Cost at beginning of year	819,750	812,498	819,750	812,498
Increase in goodwill	1,819,428	7,252	376,944	7,252
Cost at end of year	2,639,178	819,750	1,196,694	819,750
Accumulated amortisation:				
At beginning of year	(81,975)	-	(81,975)	-
Amortisation expense for year	(130,777)	(81,975)	(100,822)	(81,975)
At end of year	(212,752)	(81,975)	(182,797)	(81,975)
Goodwill relating to associate at end of year	2,426,426	737,775	1,013,897	737,775
Associates Share of Net Surplus				
Share of surplus before taxation	70,651	623,557	151,439	623,557
Share of taxation expense	(48,281)	(211,192)	(48,281)	(211,192)
Share of net surplus	22,370	412,365	103,158	412,365
Amortisation of goodwill	(130,777)	(81,975)	(100,822)	(81,975)
Share of total recognised revenues and expenses	(108,407)	330,390	2,336	330,390

14. Other Current Assets

The group has made a loan to Imperial Productions Ltd of \$74,133 (2004:\$Nil). Imperial Productions Ltd produces and manufactures toy soldiers and military units and operates out of Greytown, Wairarapa.

The loan is secured over Imperial Productions Ltd stock.

15. Loans

	2005 \$	2004 \$
Loan from National Bank	250,000	-

The loan is an interest only loan at 8.87% and is repayable in October 2005. The bank holds a personal guarantee from John Mowbray and Jane Mowbray to cover this obligation.

16. Hire Purchase

	2005 \$	2004 \$
Focus Capital Ltd - secured by Phone system, interest at 14%, repayable quarterly \$1,160.66, due 09/07	11,606	-
Less future finance charges	(1,505)	-
	10,101	-
Repayable as follows:		
Not later than one year	3,731	-
Later than one year and not later than two years	4,134	-
Later than two years and not later than five years	2,236	-
Total	10,101	-

Notes to the Financial Statements

For the year ended 31 March 2005

17. Directors Remuneration

Director's remuneration for the year was: M C Radford \$17,970 and I J Halsted \$9,000. J R Mowbray, as managing director, received a salary of \$124,572.

18. Net Cash Flow from Operating Activities

Reconciliation of Statement of Financial Performance Surplus/(deficit) with net cash flow from operating activities:

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$
Reported surplus/(deficit) after taxation	(169,775)	394,262	209,040	(14,804)
Non cash items:				
Loss on sale	32,822	1,399	-	-
Depreciation	30,566	31,903	677	1,052
Amortisation	164,006	167,292	-	-
Deferred tax asset	2,701	1,599	(2,289)	2,929
Management fees	-	-	(34,863)	-
Interest	-	-	(26,857)	-
Dividends received	-	-	(448,936)	-
Income tax deferred	-	-	(10,544)	-
Associated share of net surplus	416,642	(130,390)	305,899	(130,390)
	<u>646,737</u>	<u>71,803</u>	<u>(216,913)</u>	<u>(126,409)</u>
Movements in working capital excluding movements relating to purchase of subsidiaries				
(Increase)/decrease in inventories	143,741	(73,351)	-	-
(Increase)/decrease in receivables	(202,313)	(221,765)	(8,542)	(2,500)
Increase/(decrease) in payables	(46,978)	88,908	3,337	(15,479)
Increase/(decrease) in other payables and accruals	13,687	16,586	31,850	(13,821)
Increase/(decrease) in tax payable	(49,533)	13,280	(12,168)	(6,485)
	<u>(141,396)</u>	<u>(176,342)</u>	<u>14,477</u>	<u>(38,285)</u>
Net cash inflow/(outflow)	<u>335,566</u>	<u>289,723</u>	<u>6,604</u>	<u>(179,497)</u>

19. Operating Lease Commitments

Commitments in respect of non-cancellable operating leases:

Not later than one year	9,772	4,448	-	-
Later than one year and not later than two years	2,954	3,595	-	-
Later than two years and not later than five years	-	2,697	-	-
Later than five years	-	-	-	-
	<u>12,726</u>	<u>10,740</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 March 2005

20. Segmental Information

	Total		New Zealand		Australia		Eliminations	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
Total Revenue	3,592,140	4,072,243	1,600,815	1,968,192	2,026,188	2,069,336	(34,863)	34,715
Surplus/(deficit) before income tax	1,393	167,310	100,188	116,246	103,534	218,357	(202,329)	(167,292)
Taxation	62,761	103,438	32,441	38,482	30,320	64,956	-	-
Surplus/(deficit) after taxation	(61,368)	63,872	67,747	77,764	73,214	153,400	(202,329)	(167,292)
Total Assets	5,452,566	4,393,028	4,834,130	3,198,370	1,475,627	1,194,658	(857,191)	(1,059,519)

This group operates in one industry only.

21. Financial Instruments

The Group is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, accounts receivable and trade creditors.

Fair Values

Cash, Receivables, Trade Creditors, Payables

The fair value of all financial instruments is equivalent to their carrying value disclosed in the Statement of Financial Position.

Currency Risk

The Group is exposed to foreign exchange risk as a result of offshore funding activities and transactions denominated in foreign currencies, arising from normal trading activities. The NZ dollar equivalent of the unhedged net assets of the Group's Australian subsidiaries at balance date was \$580,067 (2004: \$662,227).

The Directors do not consider it necessary to utilise financial derivatives to mitigate this risk.

Interest Rate Risk

The Group and Company are exposed to interest rate risk in respect to borrowings from the National Bank. In order to minimise such risk the Directors have a policy of monitoring interest rate movements and take appropriate action should that be deemed necessary.

Credit Risk

In the normal course of its business, the Group and Company incur credit risk from its counterparties. There is no significant concentration of credit risk.

In the normal course of its business, the Group and Company incur credit risk from trade debtors. A maximum of 30 days credit is available for most trading. The Group's turnover was \$3,580,375 and there were \$10,054 of bad debts (0.28%). The Group's credit policies are regarded as conservative and fiscally prudent.

22. Subsequent Events

The board of directors declared a dividend of \$148,031 on 11 May 2005. In accordance with FRS-5 *Events After Balance Date* this dividend has not been provided for in the Statement of Financial Position as at 31 March 2005.

23. Commitments

There are no known commitments at 31 March 2005 (2004: \$Nil)

21. Contingencies

There are no known contingencies at 31 March 2005 (2004: \$Nil)



AUDIT REPORT TO THE SHAREHOLDERS OF MOWBRAY COLLECTABLES LIMITED

We have audited the financial report on pages 5 to 18. The financial report provides information about the past performance of Mowbray Collectables Limited and Group and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 8 and 9.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation of a financial report, which gives a true and fair view of the financial position of Mowbray Collectables Limited and Group as at 31 March 2005 and of the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Board of Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial report ; and
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial report.

Other than in our capacity as Auditors we have no relationship with or interest in Mowbray Collectables Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by Mowbray Collectables Limited as far as appears from our examination of those records; and
- the financial report on pages 5 to 18:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the financial position of Mowbray Collectables Limited and Group as at 31 March 2005 and the results of operations and cash flows for the year ended on that date.

Our audit was completed 30 May 2005 and our unqualified opinion is expressed as at that date.

Martin Jarvie PKF
Chartered Accountants
Wellington, New Zealand

✓
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Independent Member of PKF International

Statutory & Shareholder Information

Incorporation

Mowbray Collectables Limited was incorporated on 22 February 2000 under the Companies Act 1993 with company number WN1015212.

Directors

J. R. Mowbray was appointed a director on 22 February 2000.

M. C. Radford was appointed a director on 9 March 2000.

I. J. Halsted was appointed a director on 16 March 2000.

Stock Exchange Listing

The Company's ordinary shares are listed on the New Zealand Stock Exchange, with the security code "MOW".

Substantial Security Holders

The Company's register of substantial security holders, prepared in accordance with section 25 of the Securities Amendment Act 1988 recorded the following information as at 19 May 2005:

<i>Name</i>	<i>Number of Voting Securities</i>
J R Mowbray	4,403,237
RECT Funds Management Ltd	838,627
J I Urquhart	800,000
R A Brierley	600,000

At 19 May 2005 the total issued voting securities was 9,868,714.

Statutory & Shareholder Information

Largest Shareholders

The names of the 22 largest shareholders and their holdings as at 19 May 2005 were:

<i>Name</i>	<i>Number of Shares Held</i>	<i>Percentage of Issued Shares</i>
J. R. Mowbray	4,403,237	44.62%
RECT Funds Management Ltd	838,627	8.50%
J. I. Urquhart	800,000	8.10%
R. A. Brierley	600,000	6.08%
S. M. Mowbray & R. F. Oldham	303,754	3.08%
M. C. Radford	265,000	2.68%
Hubbard Churcher Trust	250,000	2.53%
Forbar Custodians Ltd	174,981	1.77%
Sinclair Long Term Holdings	130,000	1.32%
I. J. Halsted, S. D. Halsted & J. V. Halsted	115,000	1.16%
Dagger Nominees Ltd	75,879	0.77%
G. D. Ashworth & L. Ashworth	61,875	0.63%
R. J. Dunlop & J. M. Dunlop	60,000	0.61%
J. H. Oakley	60,000	0.61%
C. Biggs	56,170	0.57%
I. J. Halsted	51,250	0.52%
P.G. Gillespie, W.M. Gillespie & A.R. Short	50,000	0.51%
PCS Investment Nominees Ltd	45,000	0.46%
Ghurka Investments Ltd	40,000	0.41%
A. Harris	38,000	0.38%
C. J. Ashby & E. D. Ashby	35,750	0.36%
R.F. Orton	32,250	0.33%
	8,486,773	86.00%

The total shares on issue at 19 May 2005 were 9,868,714.

Spread of Shareholders

The spread of shareholders as at 19 May 2005 was:

<i> Holding Range</i>	<i>No. of Holders</i>	<i>Total Shares</i>	<i>Percentage</i>
1 - 1,000	42	36,855	0.37%
1,001 - 5,000	180	388,934	3.94%
5,001 - 10,000	39	280,826	2.85%
10,001 - 100,000	50	1,281,500	12.99%
100,001 - 5,000,000	10	7,880,599	79.85%
	321	9,868,714	100.00%

Statutory & Shareholder Information

Directors' Shareholdings and Dealings

The number of shares and options issued to directors, and disposals during the year were:

	2005 No. of Shares	2004 No. of Shares
J R Mowbray		
Opening balance	4,403,237	4,403,237
Movements	-	-
Closing balance	4,403,237	4,403,237
I J Halsted		
Opening balance	51,250	217,500
Movements	-	(166,250)
Closing balance	51,250	51,250
M C Radford		
Opening balance	265,000	265,000
Movements	-	-
Closing balance	265,000	265,000

In the 2005 year, there was no movement in any of the director's shareholdings.

Directors' Remuneration

Directors' remuneration during the period was M. C. Radford \$17,970 and I. J. Halsted \$9,000. J. R. Mowbray, as managing director, received a salary of \$124,572.

Employees' Remuneration

No employee, other than John Mowbray, received remuneration in excess of \$100,000.

Donations

No donations were made by the group during the period.

Audit Fees & other Services

Fees paid, or accrued as payable, to Deloitte and Martin Jarvie PKF comprise:

	Group		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$
Deloitte				
Audit fees	-	14,670	-	14,670
Other fees	-	-	-	-
Martin Jarvie PKF				
Audit fees	47,990	30,000	-	30,000
Other fees	-	-	-	-

Company Directory

Directors

John Reader Mowbray
54 Winara Avenue
Waikanae

Ian Jeffrey Halsted
19A Lucerne Road
Remuera
Auckland

Murray Charles Radford
12/32 Hobson Street
Thorndon
Wellington

Company Secretary

Richard Wheeler

Advisors to the Board (on Australian Operations)

Sir Ronald Brierley
Alan Pitt

Registered Office

247-253 Main Highway
Otaki

Communication Addresses

Postal: PO Box 80, Wellington
Telephone: (06) 364 8270
Facsimile: (06) 364 8252
E-mail: mowbray.stamps@xtra.co.nz
Website: www.mowbraycollectables.co.nz

Bankers

The National Bank of New Zealand
Waikanae

Accountants

Deloitte
Wellington

Auditors

Martin Jarvie PKF
Wellington

Solicitors

Gilbert Swan
Wellington

Share Registrar

BK Registries
PO Box 384
Ashburton