

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 2004.

For and on behalf of the Board of Directors



Murray Radford
Chairman



John Mowbray
Director

22 June 2004

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Mowbray Collectables Limited

Notice of Annual Meeting

Notice is given that the Annual Meeting of shareholders of Mowbray Collectables Limited will be held at West Plaza Hotel, Wakefield Street, Wellington, on Wednesday 21 July 2004 at 2pm.

Business

Financial Statements & Reports

1. To receive and consider the 2004 Annual Report.

Directors

2. To elect a director. Mr Ian Halsted retires by rotation in accordance with the Company's constitution, and being eligible, offers himself for re-election.

Auditors

3. To record that Martin Jarvie PKF continue in office as auditor and to authorise the directors to fix their remuneration for the coming year.

Directors Fees

4. To approve payment of director's fees up to a maximum of \$30,000 in aggregate for each financial year.

General

5. To deal with any other business that may properly be brought before the Annual meeting.

Shareholders are invited to join the directors for refreshments at the conclusion of the meeting.

By Order of the Board of Directors



Murray Radford
Chairman

22 June 2004

Proxies

A shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of that shareholder.

If you wish to appoint a proxy you should complete the accompanying proxy form. A proxy need not be a holder of shares. If you wish you may appoint the chairman of the meeting as your proxy.

No proxy shall be entitled to vote at the meeting unless the proxy form is received by the Company (P O Box 80, Wellington) not later than 48 hours before the time set for the meeting.

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 2004.

Financial Results

The directors are pleased to report another positive and improved result for the year. The operating surplus was \$346,624 (before interest, tax, depreciation and amortisation) compared with \$287,944 last year.

The overall net surplus of \$394,262 (last year \$25,527) includes net interest income of \$19,881 and associate company earnings of \$330,390 (nil last year), and is after tax of \$103,438, depreciation of \$31,903 and amortisation of \$167,292.

Our current accounting policy is to write off goodwill over ten years, so \$167,292 was again amortised this year. Additionally, we amortised \$81,975 of goodwill on our associate company investment. Goodwill amortised over the past four years now totals nearly \$700,000. In 2005 international accounting standards will be adopted and we may no longer need to amortise goodwill providing its value remains. This may have a positive affect on next year's profit.

Dividend

Since last year's annual report, we have paid an interim dividend of 1.5 cents per share and a final dividend of 3 cents, both fully imputed for tax. This total of 4.5 cents compares with 2 cents per share last year and is in accord with the directors' policy of declaring dividends from the group's strong cashflows. Of the fourteen companies listed on the New Capital Markets of the NZX since 2001, we believe Mowbray Collectables is still the only company to pay a dividend.

Trading

Overall the group traded to expectations particularly in the second half of the year.

J R Mowbray (Philatelist) continues to perform strongly, and was again the best performing business in the group. During the year two international gold medal collections were sold. This gave much improved sales but margins suffered. Profit overall was well up.

John Mowbray International held another major stamp and coin auction in November 2003, achieving sales in one day of over \$900,000. Having the stamp auction on the same day as the coin auction was a major success, with savings in costs. The coin auction (our second) was a spectacular success featuring overseas coins from the Reserve Bank. We sold an important USA stamp, the 24c Inverted Jenny, for \$112,000, a record price in Australasia for a foreign stamp. In the coin auction, a Holey Dollar estimated at \$25,000 reached \$68,000. We will again have combined auctions in November this year.

The *House of Stamps* continues to trade well, with improved trading results.

Bethunes Rare Books had three good sales in 2003, including two at Webbs, in Auckland. In December it was decided to relocate the business, after 125 years auctioneering in Wellington, to Webbs. We are confident their excellent management will make this a positive move. Costs associated with this decision are reflected in the above result.

Wildlife Philatelic Collections Pty Ltd (World Wide Fund for Nature Stamp Program) in Australia again had an outstanding year. Andrew Pitt manages this program under a management contract that includes incentives for achieving customer and sales growth. In 2005 we will undertake a further marketing initiative with Australia Post. These have been very successful in past years.

The *New Zealand World Wide Fund for Nature Stamp Program* had a reasonable year, but we are still pursuing the major marketing opportunity needed to bring performance to the Australian level. Simultaneously we have discussed with WWF the opportunity to market the program in a major country. If successful, this could make us the largest licensee in the world for this product.

Mowbray Collectables Limited

Stanley Gibbons had a strong sales year with the coin section growing strongly. Operating costs are a concern and continue to be addressed. In the current financial year (post 31 March), both offices have had sales exceeding A\$700,000, and we have been selected as the official auctioneers for "Pacific Explorer" the international stamp exhibition to be held in Sydney in 2005. This auction promises to be amongst the biggest ever held in Australasia.

Peter Webb Galleries Ltd is 33% owned by Mowbray Collectables. It had an extraordinarily successful year, reflected in its strong art auctions. Due to timing of auctions this year we will have one less sale, which may impact its result. However if we exercise our option to increase our shareholding to 49% in October, any impact will be lessened. We are most impressed with Webbs, there are many synergies between the companies, which will benefit us both in the future.

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.

In particular, we would like to acknowledge Brent Longhurst, long serving Office Manager, who resigned suddenly in November due to ill health. Brent played a key role in the growth of our companies and the listing of Mowbray Collectables. To those staff who stepped up in a particularly busy period, to ensure everything continued smoothly, including the location of Bethunes to Webbs, we offer our grateful thanks.

Main Board Listing, New Zealand Exchange Ltd

We have now been listed on the Main Board for eighteen months. It has not only given greater liquidity to share trading but enables us to pay dividends, three so far. The current share price of \$1.47 reflects the interest taken in Mowbray Collectables with shareholder numbers up 20%.

Outlook

Trading continues to be strong. We are exploring further investment opportunities, which offer exciting prospects for the group, and are compatible with our strategic aim.

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 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.

The constitution specifies that at each annual meeting one non-executive director must retire by rotation. This year Ian Halsted 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 one investment:

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 7, Roseberry, Sydney, NSW 2018**
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 33 $\frac{1}{3}$ % of this business, New Zealand's premier art auction house. At the beginning of this year we transferred Bethunes Rare Books to Webb's, where it now successfully trades as "Bethunes at Webb's". In October this year we have an option to increase the shareholding to 49%.

Board of Directors

Murray Radford BCA, CA, ACIS, DipCM, 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 Deputy Chairman Horowhenua-Kapiti Rugby Union.

Ian Halsted - Director

Ian is a director and shareholder in the company, holding 51,250 shares. He recently retired as Managing Director of Hedley Byrne NZ Ltd, remaining as a director, and is also a director of Mr Chips Ltd and Radford & Co of Wellington. Previous positions include Director Hallensteins Bros 1967-89, Managing Director Hallensteins Bros 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.

Mowbray Collectables Limited

Statement of Financial Performance

For the year ended 31 March 2004

	Notes	Group		Parent	
		2004 \$	2003 \$	2004 \$	2003 \$
Operating revenue	1	4,072,243	4,088,425	(46,326)	116,243
Surplus (deficit) before interest, taxation, depreciation and amortisation		346,624	287,944	(341,213)	(181,502)
Depreciation	10	31,903	34,180	1,052	2,023
Amortisation		167,292	167,292	-	-
Surplus (deficit) before interest and taxation		147,429	86,472	(342,265)	(183,525)
Interest income	1	20,772	23,854	-	2,547
Interest expense		(891)	(18,744)	-	-
Surplus (deficit) before income tax	2	167,310	91,582	(342,265)	(180,978)
Taxation	3	103,438	66,055	2,929	(6,645)
		63,872	25,527	(345,194)	(174,333)
Associates share of net surplus	13	330,390	-	330,390	-
Net surplus (deficit) after taxation		394,262	25,527	(14,804)	(174,333)

Statement of Movements in Equity

For the year ended 31 March 2004

	Notes	Group		Parent	
		2004 \$	2003 \$	2004 \$	2003 \$
Equity at beginning of year		4,138,905	3,251,944	3,965,244	3,226,203
Recognised revenues and expenses					
Surplus (deficit) after taxation		394,262	25,527	(14,804)	(174,333)
Movement in foreign currency translation reserve	5	24,862	(51,940)	-	-
Total recognised revenues and expenses		419,124	(26,413)	(14,804)	(174,333)
Share capital issued	4	-	949,529	-	949,529
Cost of raising capital	4	(5,820)	(36,155)	(5,820)	(36,155)
Distributions to shareholders		(314,312)	-	(314,312)	-
Equity at end of year		4,237,897	4,138,905	3,630,308	3,965,244

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

Mowbray Collectables Limited

Statement of Financial Position

As at 31 March 2004

	Notes	Group		Parent	
		2004 \$	2003 \$	2004 \$	2003 \$
EQUITY					
Share capital	4	4,335,411	4,341,231	4,335,411	4,341,231
Accumulated deficit	6	(32,624)	(112,574)	(705,103)	(375,987)
Foreign currency translation reserve	5	(64,890)	(89,752)	-	-
Total Equity		4,237,897	4,138,905	3,630,308	3,965,244
Represented by:					
CURRENT ASSETS					
Bank accounts & deposits		803,773	857,370	33,755	118,849
Receivables		843,392	621,627	2,500	-
Inventory	7	1,418,181	1,344,830	-	-
Total Current Assets		3,065,346	2,823,827	36,255	118,849
CURRENT LIABILITIES					
Trade creditors		984,983	854,639	18,284	20,147
Other payables & accruals	9	215,037	239,891	79,018	106,455
Taxation	3	13,003	(277)	(10,544)	(4,059)
Related party payables	8	1,627	2,499	-	-
Loans to subsidiaries	8	-	-	271,488	(150,883)
Total Current Liabilities		1,214,650	1,096,752	358,246	(28,340)
WORKING CAPITAL		1,850,696	1,727,075	(321,991)	147,189
NON-CURRENT ASSETS					
Deferred tax	3	44,445	46,044	12,858	15,787
Plant & equipment	10	107,793	101,755	1,140	2,192
Goodwill	11	1,059,519	1,226,812	-	-
Investment in associates	13	1,175,444	1,037,219	1,175,444	1,037,219
Investment in subsidiaries	12	-	-	2,762,857	2,762,857
Total Non-Current Assets		2,387,201	2,411,830	3,952,299	3,818,055
NET ASSETS		4,237,897	4,138,905	3,630,308	3,965,244

For and on behalf of the Board of Directors



John R Mowbray
Managing Director



Murray C Radford
Chairman

28 May 2004

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

Mowbray Collectables Limited

Statement of Cash Flows

For the year ended 31 March 2004

	Notes	Group		Parent	
		2004 \$	2003 \$	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from (applied to)					
Receipts from customers		3,854,799	4,358,918	(46,326)	116,243
Interest received		20,772	23,854	-	2,547
Dividends received		200,000	-	200,000	-
Payments to suppliers & employees		(3,696,398)	(3,949,642)	(326,686)	(233,278)
Interest paid		(891)	(18,774)	-	-
Taxation paid		(88,559)	(104,313)	(6,485)	38,780
Net operating cash flow from operating activities	15	289,723	310,073	(179,497)	(75,708)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from (applied to)					
Purchase of plant & equipment		(39,342)	(26,654)	-	-
Purchase of investments	13	(7,835)	(1,037,219)	(7,835)	(1,037,219)
Net cash flows from investing activities		(47,177)	(1,063,873)	(7,835)	(1,037,219)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from (applied to)					
Issue of equity share capital	4	-	949,529	-	949,529
Cost of raising capital	4	(5,820)	(36,155)	(5,820)	(36,155)
Current accounts repaid to shareholder		-	2,515	-	233,200
Dividend paid		(314,312)	-	(314,312)	-
Loans received/(repaid)		(873)	-	422,370	-
Net cash flow from financing activities		(321,005)	915,889	102,238	1,146,574
Net increase/(decrease) in cash held		(78,459)	162,089	(85,094)	33,647
Cash at beginning of year		857,370	747,221	118,849	85,202
Effect of exchange rate change on foreign currency balance	5	24,862	(51,940)	-	-
Cash at end of year		803,773	857,370	33,755	118,849
Comprising:					
Cash at bank - New Zealand		366,662	303,366	33,755	118,849
- Australia		437,111	554,004	-	-
		803,773	857,370	33,755	118,849

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 2004

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 2004 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, except as noted below:

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.

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 exercises 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 entity is capitalised as goodwill and amortised on a straight line basis over the period of expected benefit. This period has been assessed as 20 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.

f) Plant & Equipment

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

Statement of Accounting Policies

For the year ended 31 March 2004

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 2003.

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.

Mowbray Collectables Limited

Notes to the Financial Statements

For the year ended 31 March 2004

	Group		Parent	
	2004 \$	2003 \$	2004 \$	2003 \$
1. Total Revenue				
Total revenue comprises:				
Turnover & auction commission	4,072,243	4,088,425	-	-
Interest income	20,772	23,854	-	2,547
Management fees from subsidiaries	-	-	(46,326)	116,243
	<u>4,093,015</u>	<u>4,112,279</u>	<u>(46,326)</u>	<u>118,790</u>
2. Surplus (Deficit) before Income Tax				
Included in the surplus (deficit) before income tax are the following:				
<i>Expenses</i>				
Audit fees	44,670	30,240	44,670	30,240
Other fees paid to the auditor	-	46,005	-	46,005
Bad & doubtful debts:				
Bad debts	13,422	19,366	-	-
Provision for doubtful debts	-	-	-	-
Directors' fees	20,231	20,000	20,231	20,000
Legal fees	15,414	865	11,294	865
Operating lease rental expenses	193,148	188,684	-	-
3. Taxation				
Taxation expense				
Net surplus/(deficit) before taxation	167,310	91,582	(342,265)	(180,978)
Prima-facie tax	55,212	30,221	(112,947)	(59,723)
Adjustment for difference in NZ and Australian tax rates	(6,552)	717	-	-
Add/(less) taxation effect of permanent differences:				
Amortisation of intangible assets	55,206	55,206	-	-
Other non-deductible items	2,825	(17,619)	27,636	(7,626)
Taxation expense/(benefit of losses) for year	106,691	68,525	-	(67,349)
Group offsets	-	-	88,240	62,017
Underprovision for income tax last year	(3,253)	(2,470)	-	(1,313)
Taxation expense (benefit)	<u>103,438</u>	<u>66,055</u>	<u>2,929</u>	<u>(6,645)</u>
The taxation expense comprises:				
Current taxation	103,865	101,419	27,636	-
Underprovision for income tax last year	(3,253)	(2,470)	(27,636)	(1,313)
Future income tax benefit	(2,826)	(32,894)	2,929	(5,332)
	<u>103,438</u>	<u>66,055</u>	<u>2,929</u>	<u>(6,645)</u>

Mowbray Collectables Limited

Notes to the Financial Statements

For the year ended 31 March 2004

	Group		Parent	
	2004 \$	2003 \$	2004 \$	2003 \$
3. Taxation continued				
Taxation payable/(refundable)				
Balance at beginning of year	(277)	6,925	(4,059)	(41,525)
Adjustment for foreign exchange movement on opening balance	608	(1,838)	-	-
Income tax (paid)/refunded	33,229	(104,313)	-	38,779
Provision for income tax for the current year	100,612	101,419	-	-
Foreign investors tax credit	(6,845)	-	(6,845)	-
Transfers to/from other taxes	225	-	-	-
Provisional tax paid	(113,282)	-	-	-
Prior year adjustments	-	(2,470)	-	(1,313)
Interest resident withholding tax	(1,627)	-	-	-
Balance at end of year	13,003	(277)	(10,544)	(4,059)
Deferred Tax				
Opening balance (Future income tax benefit)	(46,044)	(13,150)	(15,787)	(10,455)
Foreign Exchange movement	(1,227)	-	-	-
Current year charge (Future income tax benefit)	2,826	(32,894)	2,929	(5,332)
Balance at end of year	(44,445)	(46,044)	(12,858)	(15,787)
Imputation Credits				
Balance at beginning of year	296,981	229,359	17,881	56,661
Imputation credits attached to dividends received	98,507	-	186,954	-
Other credits	8,112	-	6,485	-
Imputation credits attached to dividends paid	(154,783)	-	(154,783)	-
Taxation paid	69,103	67,622	-	(38,780)
Taxation refunded	(12,271)	-	-	-
Balance at end of year	305,649	296,981	56,537	17,881

4. Share Capital

Company and Group	2004		2003	
	Number	\$	Number	\$
Ordinary Shares — fully paid				
Balance at beginning of year	8,978,714	4,341,231	7,222,857	3,427,857
Share capital issued to the directors	-	-	863,396	413,298
Share capital issued to the public	-	-	892,461	536,231
Cost of raising capital	-	(5,820)	-	(36,155)
Share capital at end of year	8,978,714	4,335,411	8,978,714	4,341,231

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.

Mowbray Collectables Limited

Notes to the Financial Statements

For the year ended 31 March 2004

	Group		Parent	
	2004 \$	2003 \$	2004 \$	2003 \$
5. Foreign Currency Translation Reserve				
Balance at beginning of year	(89,752)	(37,812)	-	-
Arising on translation of independent foreign operations	24,862	(51,940)	-	-
Balance at end of year	(64,890)	(89,752)	-	-
6. Accumulated Surplus/(Deficit)				
Balance at beginning of year	(112,574)	(138,101)	(375,987)	(201,654)
Dividend paid to shareholders	(314,312)	-	(314,312)	-
Surplus/(deficit) for period after taxation	394,262	25,527	(14,804)	(174,333)
Accumulated surplus/(deficit) at end of year	(32,624)	(112,574)	(705,103)	(375,987)
7. Inventory				
Auction inventory	1,026,536	951,635	-	-
WWF chapters on hand	246,440	273,674	-	-
Books on hand	18,704	20,030	-	-
Inventory in transit	25,218	-	-	-
Other	101,283	99,491	-	-
Total Inventory	1,418,181	1,344,830	-	-
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 \$(43,326) (2003: \$116,243) and comprised of management fees charged to the Australian subsidiaries. There were no purchases from subsidiaries.

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.

Mowbray Collectables Limited

Notes to the Financial Statements

For the year ended 31 March 2004

	Group		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
8. Related Parties continued				
<i>Outstanding balances</i>				
Amounts outstanding between the company and related parties are:				
Mowbray Bethunes Limited	-	-	(66,210)	181,543
World Wide Fund for Nature Stamp Program	-	-	(4,902)	34,331
Stanley Gibbons (Australia) Pty Limited	-	-	(11,826)	-
Wildlife Philatelic Collections Pty Limited Agencies	-	-	(118,012)	(64,991)
	(1,627)	(2,499)	(538)	-
	<u>(1,627)</u>	<u>(2,499)</u>	<u>(271,488)</u>	<u>150,883</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	
	2004	2003	2004	2003
	\$	\$	\$	\$
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	52,619	53,620	-	-

9. Other Payables and Accruals

	Group		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
In current liabilities the balance of other payables and accruals comprise:				
Other payables and accruals	79,544	97,450	40,055	58,617
Employee entitlements	135,493	142,441	38,963	47,838
Total other payables and accruals	<u>215,037</u>	<u>239,891</u>	<u>79,018</u>	<u>106,455</u>

Mowbray Collectables Limited

Notes to the Financial Statements

For the year ended 31 March 2004

	Group		Parent	
	2004 \$	2003 \$	2004 \$	2003 \$
10. Plant & Equipment				
Leasehold improvements				
Cost	19,150	19,150	-	-
Accumulated depreciation	(10,496)	(9,239)	-	-
	8,654	9,911	-	-
Office furniture and equipment				
Cost	132,686	117,896	-	-
Accumulated depreciation	(88,180)	(77,306)	-	-
	44,506	40,590	-	-
Plant & equipment				
Cost	142,441	115,139	-	-
Accumulated depreciation	(100,836)	(88,829)	-	-
	41,605	26,310	-	-
Computer equipment				
Cost	57,854	57,854	5,094	5,094
Accumulated depreciation	(44,826)	(32,910)	(3,954)	(2,902)
	13,028	24,944	1,140	2,192
Total cost	352,131	310,039	5,094	5,094
Total accumulated depreciation	(244,338)	(208,284)	(3,954)	(2,902)
	107,793	101,755	1,140	2,192

Depreciation Expense by Category

Leasehold improvements	1,257	1,226	-	-
Office furniture and equipment	7,972	6,258	-	-
Plant and equipment	10,758	8,575	-	-
Computer equipment	11,916	18,121	1,052	2,023
	31,903	34,180	1,052	2,023

11. Goodwill

On acquisition of subsidiaries	1,672,924	1,672,923	-	-
Accumulated amortisation	(613,405)	(446,111)	-	-
	1,059,519	1,226,812	-	-

12. Investment in Subsidiaries

Subsidiaries owned at 31 March 2004	% Holding at Balance Date		Principal Activities	Balance Date
	2004	2003		
Mowbray Bethunes Ltd	100%	100%	Stamp, philatelic, rare book dealer, retailer & auctioneer	31 March
World Wide Fund for Nature Stamp Program (New Zealand Agency)	100%	100%	International stamp Program agency	31 March
Wildlife Philatelic Collections Pty Ltd	100%	100%	International stamp program agency	31 March
Stanley Gibbons (Australia) Pty Ltd	100%	100%	International stamp auctioneer	31 March

Mowbray Collectables Limited

Notes to the Financial Statements

For the year ended 31 March 2004

13. Investment in Associates

The Group purchased a 33.33% investment in Peter Webb Galleries Limited effective 21 March 2003. Mowbray Collectables Limited has the option to purchase a further 16% of Peter Webb Galleries Limited.

Peter Webb Galleries Limited, a company incorporated in New Zealand, has a balance date of 31 March. Peter Webb Galleries is a leading New Zealand auctioneer of fine arts, wine, jewellery, antiques and decorative arts.

	Group		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Carrying amount of investment in associate				
Carrying amount at beginning of year	1,037,219	-	1,037,219	-
Purchase of associate	-	1,037,219	-	1,037,219
Expenses capitalised	7,835	-	7,835	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,045,054	1,037,219	1,045,054	-
Share of net surplus	330,390	-	330,390	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,375,444	1,037,219	1,375,444	-
Dividends received	(200,000)	-	(200,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at end of year	1,175,444	1,037,219	1,175,444	1,037,219
	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill relating to investment in associate				
Goodwill arising on acquisition of associate	812,497	812,497	812,497	812,497
Movement in goodwill	7,252	-	7,252	-
Accumulated amortisation	(81,975)	-	(81,975)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill at end of year	737,774	812,497	737,774	812,497
	<hr/>	<hr/>	<hr/>	<hr/>
Share of associate liabilities	139,695	139,695	139,695	139,695
Share of assets	364,417	364,417	364,417	364,417
	<hr/>	<hr/>	<hr/>	<hr/>
Share of net tangible assets	224,722	224,722	224,722	224,722
Movement in share of assets	583	-	583	-
Share of profit after tax	412,365	-	412,365	-
Dividends received	(200,000)	-	(200,000)	-
Goodwill	737,774	812,497	737,774	812,497
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount of investment	1,175,444	1,037,219	1,175,444	1,037,219
	<hr/>	<hr/>	<hr/>	<hr/>
Associates Share of Net Surplus				
Share of surplus before taxation	623,557	-	623,557	-
Share of taxation expense	(211,192)	-	(211,192)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Share of net surplus	412,365	-	412,365	-
Amortisation of goodwill	(81,975)	-	(81,975)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Share of total recognised revenues and expenses	330,390	-	330,390	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 March 2004

14. Directors' Remuneration

Directors' remuneration for the year was M. C. Radford \$12,000 and I. J. Halsted \$8,000. J. R. Mowbray, as managing director, received a salary of \$125,000.

M. C. Radford received fees from the Company of \$4,123 for consulting and accounting services provided to the group during the year.

15. Net Cash Flow from Operating Activities

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

	Group		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Reported surplus/(deficit) after taxation	394,262	25,527	(14,804)	(174,333)
Non cash items:				
Loss on sale	1,399	2,347	-	-
Depreciation	31,903	34,180	1,052	2,023
Amortisation	167,292	167,292	-	-
Deferred tax asset	1,599	(32,894)	2,929	(5,332)
Associated share of net surplus	(130,390)	-	(130,390)	-
	71,803	170,925	(126,409)	(3,309)
Movements in working capital excluding Movements relating to purchase of subsidiaries				
(Increase)/decrease in inventories	(73,351)	(32,671)	-	-
(Increase)/decrease in receivables	(221,765)	300,637	(2,500)	774
Increase/(decrease) in payables	(88,908)	(156,824)	(15,479)	13,201
Increase/(decrease) in other payables and accruals	16,586	9,686	(13,821)	50,493
Increase/(decrease) in tax payable	13,280	(7,207)	(6,485)	37,466
	(176,342)	113,621	(38,285)	101,934
Net cash inflow/(outflow)	289,723	310,073	(179,497)	(75,708)

16. Operating Lease Commitments

Commitments in respect of non-cancellable
operating leases:

Not later than one year	4,448	5,641	-	-
Later than one year and not later than two years	3,595	4,448	-	-
Later than two years and not later than five years	2,697	6,292	-	-
Later than five years	-	-	-	-
	10,740	16,381	-	-

Mowbray Collectables Limited

Notes to the Financial Statements

For the year ended 31 March 2004

17. Segmental Information

	Total		New Zealand		Australia		Eliminations	
	2004	2003	2004	2003	2004	2003	2004	2003
Total Revenue	4,072,243	4,112,279	1,968,192	2,081,793	2,069,336	2,184,692	34,715	(154,206)
Surplus/(deficit)								
before income tax	167,310	91,582	116,246	282,794	218,357	(23,920)	(167,292)	(167,292)
Taxation	103,438	66,055	38,482	84,994	64,956	(18,939)	-	-
Surplus/(deficit)								
after taxation	63,872	25,527	77,764	197,800	153,400	(4,981)	(167,292)	(167,292)
Total Assets	4,393,028	5,233,435	3,198,370	5,545,217	1,194,658	1,289,254	(1,059,519)	(1,601,036)

This group operates in one industry only.

18. 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 \$662,227 (2003: \$683,738).

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

Interest Rate Risk

The group and company currently have no exposure to interest rate risk as there were no loans at balance date.

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 \$9,153,446 and there were \$13,927 of bad debts (0.002%). The Group's credit policies are regarded as conservative and fiscally prudent.

19. Subsequent Events

The board of directors declared a dividend of \$269,363 on 7 May 2004. 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 2004.

20. Commitments

There are no known commitments at 31 March 2004 (2003: \$Nil)

21. Contingencies

There are no known contingencies at 31 March 2004 (2003: \$Nil)



AUDIT REPORT TO THE SHAREHOLDERS OF MOWBRAY COLLECTABLES LIMITED

We have audited the financial report on pages 6 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 2004. This information is stated in accordance with the accounting policies set out on pages 9 and 10.

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 2004 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 6 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 2004 and the results of operations and cash flows for the year ended on that date.

Our audit was completed 28 May 2004 and our unqualified opinion is expressed as at that date.


Martin Jarvie-PKF
Chartered Accountants
Wellington, New Zealand



85 THE TERRACE P.O. BOX 1208 WELLINGTON NEW ZEALAND FAX 04 473 4720 PHONE 04 472 7919

Graham T. Langridge, Graham K. (Gus) Gaskin, Robert A. Elms, Owen D. Gibson

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 - NZX, 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 9 June 2004:

<i>Name</i>	<i>Number of Voting Securities</i>
J. R. Mowbray	4,403,237
RECT Funds Management Ltd	780,000
J. I. Urquhart	630,000
R. A. Brierley	600,000

At 16 June 2004 the total issued voting securities was 8,978,714.

Statutory & Shareholder Information

Largest Shareholders

The names of the 22 largest shareholders and their holdings as at 9 June 2004 were:

<i>Name</i>	<i>Number of Shares Held</i>	<i>Percentage of Issued Shares</i>
J. R. Mowbray	4,403,237	49.04%
RECT Funds Management Ltd	780,000	8.69%
J. I. Urquhart	630,000	7.02%
R. A. Brierley	600,000	6.68%
M. C. Radford	265,000	2.95%
S. M. Mowbray & R. F. Oldham	248,754	2.77%
Forbar Custodians Ltd	174,981	1.95%
I. J. Halsted, S. D. Halsted & J. V. Halsted	115,000	1.28%
G. D. Ashworth & L. Ashworth	61,875	0.69%
J. H. Oakley	56,250	0.63%
I. J. Halsted	51,250	0.57%
Dagger Nominees Ltd	49,879	0.56%
C. Biggs	46,395	0.52%
PCS Investment Nominees Ltd	45,000	0.50%
R. J. Dunlop & J. M. Dunlop	45,000	0.50%
A. Harris	34,000	0.38%
C. J. Ashby & E. D. Ashby	33,750	0.38%
G. H. Gowland	29,500	0.33%
P. Cutfield	28,125	0.31%
R. W. Phillips	27,000	0.30%
J. McLinden	27,000	0.30%
Forbar Custodians Ltd	27,000	0.30%
	7,824,132	86.65%

The total shares on issue at 9 June 2004 was 8,978,714.

Spread of Shareholders

The spread of shareholders as at 9 June 2004 was:

<i> Holding Range</i>	<i>No. of Holders</i>	<i>Total Shares</i>	<i>Percentage</i>
1 - 1,000	33	30,030	0.33%
1,001 - 5,000	181	375,369	4.19%
5,001 - 10,000	33	223,952	2.49%
10,001 - 100,000	49	1,132,391	12.61%
100,001 - 5,000,000	8	7,216,972	80.38%
	304	8,978,714	100.00%

Mowbray Collectables Limited

Statutory & Shareholder Information

Directors' Shareholdings and Dealings

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

		2004		2003	
	Notes	No. of Shares	No. of Options	No. of Shares	No. of Options
J R Mowbray					
Opening balance		4,403,237	-	4,136,172	115,000
Movements	1	-	-	267,065	(115,000)
Closing balance		4,403,237	-	4,403,237	-
I J Halsted					
Opening balance		217,500	-	100,000	115,000
Movements	2	(166,250)	-	117,500	(115,000)
Closing balance		51,250	-	217,500	-
M C Radford					
Opening balance		265,000	-	200,000	115,000
Movements	3	-	-	65,000	(115,000)
Closing balance		265,000	-	265,000	-

Note 1 In the 2004 year, there was no movement in J R Mowbray's shareholding.

Note 2 In the 2004 year, I J Halsted sold 166,250 shares to family members and Trust.

Note 3 In the 2004 year, there was no movement in M C Radford's shareholding.

Directors' Remuneration

Directors' remuneration during the period was M. C. Radford \$12,000 and I. J. Halsted \$8,000. J. R. Mowbray, as managing director, received a salary of \$125,000.

M. C. Radford received fees from the Company of \$4,123 for consulting and accounting services provided to the group during the year.

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.

Mowbray Collectables Limited

Statutory & Shareholder Information

Audit Fees & Other Services

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

	Group		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Deloitte				
Audit fees	14,670	30,240	14,670	30,240
Other fees	-	58,548	-	58,549
Martin Jarvie PKF				
Audit fees	30,000	-	30,000	-
Other fees	-	-	-	-

Mowbray Collectables Limited

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
Hugh Freeman
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