

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 2003.

For and on behalf of the Board of Directors



Murray Radford
Chairman



John Mowbray
Director

27 June 2003

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Notice of Annual Meeting

Notice is given that the Annual Meeting of shareholders of Mowbray Collectables Limited will be held at Turnbull House, Bowen Street, Wellington, on Thursday 24 July 2003 at 9.30am.

Business

Financial Statements & Reports

1. To receive and consider the 2003 Annual Report.

Directors

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

Auditors

3. To record that Deloitte Touche Tohmatsu 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 \$25,000 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

27 June 2003

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 pleased to present to shareholders this third annual report of Mowbray Collectables Ltd group of companies. This report covers the activities of the group for the full year to 31 March 2003.

Financial Results

The directors are pleased to report a positive result for the year for the Mowbray Collectables group. An operating surplus of \$287,944 (before interest, tax, depreciation and amortisation) was achieved, compared with the operating surplus last year of \$321,963.

Our accounting policy is to write-off goodwill over 10 years, so \$167,292 was again amortised this year. Goodwill written off over the past 3 years now totals \$446,111. As this amortisation is not deductible for tax, there is tax expense of \$66,055 in the pre-amortisation profit. After depreciation of \$34,180, net interest income of \$5,110 the group achieved a net surplus of \$25,527 compared with last year's surplus of \$36,925. This result does not include any contribution from our purchase of 33% of Peter Webb Galleries Ltd.

Dividend

We are delighted to announce our maiden dividend of 2 cents per share. This dividend is fully imputed for tax and payable on 30 July. Whilst the group achieved only a modest accounting net surplus, the cash generated from profits is sufficient for the directors to declare this dividend.

Trading

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

J. R. Mowbray (Philatelist) traded strongly throughout the year, and continues to be the best performing business in the group. Sales continued to grow (up 5%) and margins have been maintained. Stock levels were contained, but we were still able to take advantage of good stock purchasing opportunities.

John Mowbray International held another substantial stamp auction in November 2002, achieving sales in one day in excess of \$800,000. This year's auction will be held in November in conjunction with the National Stamp Exhibition, and interest at this early date indicates it will be at least as good as previous years. Also in September, a successful coin auction, (NZ's first for some years), was held in Auckland in association with P & M Eccles. We intend to hold another auction later this year. There are good opportunities to establish an annual major coin and banknote auction, as we have done so successfully with stamps.

The House of Stamps continues to trade well and trading results were up to expectations.

Bethunes Rare Books had an excellent year, turnover up 65% and two of the four auctions held achieved, in turn, NZ record turnovers. The last sale for the year was held at Webbs Galleries in Auckland and was a good example of how the group can utilise its various resources. This record sale was the first time Bethunes had held a book sale outside Wellington in 125 years, and it will not be the last. The annual militaria sale continues to grow.

The World Wide Fund for Nature stamp program in Australia again had an outstanding year, although marketing costs need careful monitoring. Andrew Pitt manages this program under a management contract that includes incentives to him for achieving customer and sales growth. This arrangement works well.

The New Zealand World Wide Fund for Nature stamp program had a better year as marketing costs were better contained. We are pursuing a major marketing opportunity, but are restrained by delays in its implementation.

Stanley Gibbons (Australia) Pty Ltd suffered a small drop in sales compared with the previous year. Costs were not at the level we would wish and this affected its contribution to group earnings. However, the cost issues have been addressed and we expect next year's results will be up to directors' expectations.

The acquisition of a 33% shareholding in Peter Webb Galleries Ltd was completed at the end of March 2003. The Mowbray Collectables group result does not include any trading results from Webbs for the 2003 year. However, shareholders will be interested to know that Webbs held NZ's biggest ever art auction on 8 April, achieving sales exceeding \$5 million. We are confident the Webbs acquisition will be a positive one for Mowbray Collectables.

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, NZ Stock Exchange

We achieved our aim of a main board listing on 9 December 2002. This has proved positive for the company and certainly increased our profile and interest in our shares. As a result we were able to have a 1 for 8 rights issue at 50 cents per share which was 98.8% subscribed. Immediately prior to this the directors made a private placement of 450,000 shares at 70 cents per share through McDouall Stuart Securities Ltd, sharebrokers. The funds realised were used to purchase the 33% interest in Peter Webb Galleries. A consequence of this was the introducing of our first institutional shareholder, RECT Funds Management Ltd, which now has a 10% holding. We welcome their support.

As a result of graduating to the Main Board, the company is now able to pay dividends, and our imminent 2 cents per share dividend, fully imputed, will be the first by a New Capital Market company.

Outlook

Trading is strong in all markets and the directors cautiously expect this to continue. The strong NZ dollar has not affected our trading but it affects our results with the capital conversion charge (this year \$30,000). Should the NZ dollar fall against the Australian dollar then this situation will reverse. It does not affect our trading result.

The accounting charges in the financial statements reflect the company's increased use of professional advisors in order to meet increasingly complex reporting requirements. In turn, as with our Webbs acquisition, there are additional costs in pursuing our growth strategy. We recognise this is a significant expense and the best way for these costs to come into line is for the company to grow. We are conscious of the need to try and contain such costs.

Provided these costs are contained, trading continues to be strong, and we realise positive earnings from the Webbs investment, we look forward to an improved result for the coming year.

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 Company's constitution specifies that the minimum number of directors is three.

Because of the small number of directors, the Board has not constituted any committees of 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 dealings of the directors are detailed on page 23

For and on behalf of the Board of Directors



Murray Radford
Chairman



John Mowbray
Managing Director

Company Profile

The Mowbray Collectables group consists of seven business units:

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. Bethunes Rare Books** - *P O Box 6, Otaki Railway, Phone 06 364 8684*
NZ's premier auctioneers of rare books, with 3-4 sales held annually. Also specialist sales of Militaria.
- 5. World Wide Fund for Nature Stamp Programme** - *P O Box 444, Wellington*
NZ agent for WWF stamps worldwide, selling by continuity programmes.

Australia

- 6. 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.
- 7. Wildlife Philatelics 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

- 8. 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.

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.

Ian Halsted - Director

Ian is a director and shareholder in the company, holding 217,500 shares. He is currently Managing Director of Hedley Byrne NZ Ltd, an advertising and design company, specialising in the retail industry, and a director of Mr Chips Ltd.

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.

Statement of Financial Performance

For the year ended 31 March 2003

	Notes	Group		Parent	
		Year ended 2003 \$	Year ended 2002 \$	Year ended 2003 \$	Year ended 2002 \$
Operating revenue	1, 8	4,088,425	3,894,407	116,243	149,842
Surplus (deficit) before interest, taxation, depreciation and amortisation		287,944	321,963	(181,502)	(116,042)
Depreciation		34,180	31,659	2,023	713
Amortisation		167,292	167,292	-	-
Surplus (deficit) before interest and taxation		86,472	123,012	(183,525)	(116,755)
Interest income	1	23,854	25,943	2,547	2,006
Interest expense		(18,744)	(7,628)	-	(389)
Surplus (deficit) before income tax	2	91,582	141,327	(180,978)	(115,138)
Taxation	3	66,055	104,402	(6,645)	(10,455)
Net surplus (deficit) after taxation		25,527	36,925	(174,333)	(104,683)

Statement of Movements in Equity

For the year ended 31 March 2003

	Notes	Group		Parent	
		Year ended 2003 \$	Year ended 2002 \$	Year ended 2003 \$	Year ended 2002 \$
Equity at beginning of year		3,251,944	2,494,788	3,226,203	2,578,029
Share capital issued	4	949,529	752,857	949,529	752,857
Cost of raising capital	4	(36,155)	-	(36,155)	-
Surplus (deficit) after taxation		25,527	36,925	(174,333)	(104,683)
Movement in foreign currency translation reserve	5	(51,940)	(32,626)	-	-
Equity at end of period		4,138,905	3,251,944	3,965,244	3,226,203

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 2003

	Notes	Group		Parent	
		Year ended 2003 \$	Year ended 2002 \$	Year ended 2003 \$	Year ended 2002 \$
EQUITY					
Share capital	4	4,341,231	3,427,857	4,341,231	3,427,857
Accumulated deficit	6	(112,574)	(138,101)	(375,987)	(201,654)
Foreign currency translation reserve	5	(89,752)	(37,812)	-	-
Total Equity		4,138,905	3,251,944	3,965,244	3,226,203
Represented by:					
CURRENT ASSETS					
Bank accounts & deposits		857,370	747,221	118,849	85,202
Receivables		621,627	922,264	-	774
Advances to subsidiaries	8	-	-	150,883	384,083
Inventory	7	1,344,830	1,312,159	-	-
Related party receivables	8	(2,499)	309	-	-
Taxation	3	277	(6,925)	4,059	41,525
Total Current Assets		2,821,605	2,975,028	273,791	511,584
CURRENT LIABILITIES					
Trade creditors		854,639	1,011,755	20,147	6,946
Other payables & accruals	9	239,891	230,206	106,455	55,962
Total Current Liabilities		1,094,530	1,241,961	126,602	62,908
WORKING CAPITAL					
		1,727,075	1,733,067	147,189	448,676
NON-CURRENT ASSETS					
Deferred tax	3	46,044	13,150	15,787	10,455
Plant & equipment	10	101,755	111,623	2,192	4,215
Goodwill	11	1,226,812	1,394,104	-	-
Investment in associates	13	1,037,219	-	1,037,219	-
Investment in subsidiaries	12	-	-	2,762,857	2,762,857
Total Non-Current Assets		2,411,830	1,518,877	3,818,055	2,777,527
NET ASSETS		4,138,905	3,251,944	3,965,244	3,226,203

For and on behalf of the Board of Directors



John R Mowbray
Managing Director



Murray C Radford
Chairman

23 June 2003

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 2003

	Notes	Group		Parent	
		Year ended 2003 \$	Year ended 2002 \$	Year ended 2003 \$	Year ended 2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from (applied to)					
Receipts from customers		4,358,918	3,807,004	116,243	164,600
Interest received		23,854	25,943	2,547	2,006
Payments to suppliers & employees		(3,949,642)	(3,398,622)	(233,278)	(303,695)
Interest paid		(18,774)	(7,473)	-	(389)
Taxation paid		(104,313)	(227,191)	38,780	(39,280)
Net operating cash flow	15	310,073	199,661	(75,708)	(176,758)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from (applied to)					
Purchase of plant & equipment		(26,654)	(49,063)	-	(940)
Purchase of subsidiaries	12	-	581,790	-	-
Purchase of investments	13	(1,037,219)	-	(1,037,219)	-
Net investing cash flow		(1,063,873)	532,727	(1,037,219)	(940)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from (applied to)					
Issue of equity share capital	4	949,529	90,000	949,529	90,000
Cost of raising capital	4	(36,155)	-	(36,155)	-
Current accounts repaid to shareholder		2,515	(46,790)	233,200	(47,083)
Loans repaid		-	(169,949)	-	(41,001)
Net financing cash flow		915,889	(126,739)	1,146,574	1,916
Net increase/(decrease) in cash held		162,089	605,649	33,647	(175,782)
Cash at beginning of year		747,221	174,198	85,202	260,984
Effect of exchange rate change on foreign currency balance	5	(51,940)	(32,626)	-	-
Cash at end of year		857,370	747,221	118,849	85,202
Comprising:					
Cash at bank - New Zealand		303,366	186,996	118,849	85,202
- Australia		554,004	560,225	-	-
		857,370	747,221	118,849	85,202

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 2003

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 2003 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

During the year ended 31 March 2002, four of the Mowbray Collectables Limited subsidiaries amalgamated into one company. The continuing company was Bethunes Rare Books Limited, and the amalgamating companies were:

- J. R. Mowbray Philatelist Limited
- House of Stamps Limited
- John Mowbray International (Stanley Gibbons New Zealand Limited)

Bethunes Rare Books Limited was renamed Mowbray Bethunes Limited on 10 April 2002. The Group Financial Statements include the full financial results for the amalgamating companies. As the amalgamation was an intra-group reconstruction, there was no impact on the Group Financial Statements.

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. 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.

Dividend income is recognised in the statement of financial performance when dividends are declared.

The excess of cost over 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 to be 20 years from the date of acquisition. The carrying value of goodwill is reviewed annually and adjusted as considered necessary.

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.

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 2003

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

The Group depreciates fixed assets based on allowable tax depreciation rates and during the year depreciation rates were increased for some assets included in furniture & fittings and plant & equipment. This change has not had a significant impact on the financial performance of the Group.

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 year 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.

Deferred tax asset is only recognised when it is virtually certain of realisation.

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 year, 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 Group Financial Statements are for the year ended 31 March 2002.

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.

Changes in Accounting Policies

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

Notes to the Financial Statements

For the year ended 31 March 2003

	Group		Parent	
	Year ended 2003	Year ended 2002	Year ended 2003	Year ended 2002
	\$	\$	\$	\$
1. Total Revenue				
Total revenue comprises:				
Turnover & auction commission	4,088,425	3,894,407	-	-
Interest income	23,854	25,943	2,547	2,006
Management fees from subsidiaries	-	-	116,243	149,842
	<u>4,112,279</u>	<u>3,920,350</u>	<u>118,790</u>	<u>151,848</u>
2. Surplus (Deficit) before Income Tax				
Included in the surplus (deficit) before income tax are the following:				
<i>Expenses</i>				
Audit fees	30,240	35,000	30,240	25,845
Other fees paid to the auditor	46,005	44,280	46,005	17,435
Bad & doubtful debts:				
Bad debts	19,366	16,272	-	-
Provision for doubtful debts	-	-	-	-
Directors' fees	20,000	-	20,000	-
Legal fees	865	7,507	865	7,507
Operating lease rental expenses	188,684	178,314	-	-
3. Taxation				
Taxation expense				
Net surplus/(deficit) before taxation	91,582	141,327	(180,978)	(115,138)
Prima-facie tax	30,221	46,638	(59,723)	(37,996)
Adjustment for difference in NZ and Australian tax rates	717	(1,965)	-	-
Add/(less) taxation effect of permanent differences:				
Amortisation of intangible assets	55,206	55,206	-	-
Fines and penalties	-	67	-	-
Other non-deductible items	(17,619)	6,538	(7,626)	(971)
Taxation expense/(benefit of losses) for year	68,525	106,484	(67,349)	(38,967)
Group offsets	-	-	62,017	28,512
Underprovision for income tax last year	(2,470)	(2,082)	(1,313)	-
Taxation expense (benefit)	<u>66,055</u>	<u>104,402</u>	<u>(6,645)</u>	<u>(10,455)</u>
The taxation expense comprises:				
Current taxation	101,419	111,796	-	-
Underprovision for income tax last year	(2,470)	(2,082)	(1,313)	-
Future income tax benefit	(32,894)	(5,312)	(5,332)	(10,455)
	<u>66,055</u>	<u>104,402</u>	<u>(6,645)</u>	<u>(10,455)</u>

Notes to the Financial Statements

For the year ended 31 March 2003

	Group		Parent	
	Year ended 2003 \$	Year ended 2002 \$	Year ended 2003 \$	Year ended 2002 \$
3. Taxation continued				
Taxation payable/(refundable)				
Opening balance	6,925	121,876	(41,525)	(2,244)
Adjustment for foreign exchange movement on opening balance	(1,838)	-	-	-
Income tax (paid)/refunded	(104,313)	(227,070)	38,779	(39,281)
Provision for income tax for the current year	101,419	111,796	-	-
Prior year adjustments	(2,470)	(2,082)	(1,313)	-
Opening balance from acquired subsidiary	-	2,405	-	-
Closing balance	(277)	6,925	(4,059)	(41,525)
Deferred Tax				
Opening balance (Future income tax benefit)	(13,150)	(7,838)	(10,455)	-
Current year charge (Future income tax benefit)	(32,894)	(5,312)	(5,332)	(10,455)
Closing balance	(46,044)	(13,150)	(15,787)	(10,455)
Imputation Credits				
Balance at the beginning of year	229,359	17,014	56,661	15,734
Taxation paid	67,622	212,345	(38,780)	40,927
	296,981	229,359	17,881	56,661

4. Share Capital

Company and Group	2003		2002	
	Number	Value	Number	Value
Ordinary Shares – fully paid				
Balance at beginning of year	7,222,857	3,427,857	5,900,000	2,675,000
Share capital issued to the directors	863,396	413,298	-	-
Share capital issued to the public	892,461	536,231	180,000	90,000
Cost of raising capital	-	(36,155)	-	-
Share capital issued as consideration for the acquisition of Stanley Gibbons (Australia) Pty Ltd	-	-	1,142,857	662,857
Balance at end of year	8,978,714	4,341,231	7,222,857	3,427,857

To assist in financing the purchase of one-third of Peter Webb Galleries Limited, the company announced on 10 February 2003, a 1 for 8 rights issue at 50 cents per share.

On 21 March 2000, each of the directors was granted 115,000 options to subscribe for ordinary shares. No money was received by the Company as consideration for the grant of the options. During the year ended 31 March 2003, each of the directors exercised all of their respective options. Of the options that were exercised by J. R. Mowbray, 14,000 were exercised before the company's 1:8 rights issue and at 50 cents per share. The balance of 101,000 options that were exercised by J. R. Mowbray and all of the options that were exercised by both I. J. Halsted and M. C. Radford were exercised after the company's 1:8 rights issue and at 44.44 cents per share, being the ex-issue adjusted price.

During February 2003, the directors placed 450,000 Mowbray Collectables Limited ordinary shares at 70 cents per share through McDouall Stuart Securities Limited, Members of the New Zealand Stock Exchange.

Notes to the Financial Statements

For the year ended 31 March 2003

	Group		Parent	
	Year ended 2003 \$	Year ended 2002 \$	Year ended 2003 \$	Year ended 2002 \$
5. Foreign Currency Translation Reserve				
Balance at beginning of year	(37,812)	(5,186)	-	-
Loss arising on translation of independent foreign operations	(51,940)	(32,626)	-	-
Balance at end of year	(89,752)	(37,812)	-	-
6. Accumulated Surplus/(Deficit)				
Balance at beginning of year	(138,101)	(175,026)	(201,654)	(96,971)
Surplus/(deficit) after taxation for the year	25,527	36,925	(174,333)	(104,683)
Balance at end of year	(112,574)	(138,101)	(375,987)	(201,654)
7. Inventory				
Auction inventory	951,635	948,553	-	-
WWF chapters on hand	273,674	193,874	-	-
Books on hand	20,030	13,072	-	-
Inventory in transit	-	36,203	-	-
Other	99,491	120,457	-	-
	1,344,830	1,312,159	-	-
8. Related Parties				

Transactions

All transactions between companies within the group were conducted on an arm's length basis.

Sales by the Parent to its subsidiaries totalled \$116,243 (2002: \$149,842) 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.

Notes to the Financial Statements

For the year ended 31 March 2003

	Group		Parent	
	2003	2002	2003	2002
	\$	\$	\$	\$
8. Related Parties continued				
<i>Outstanding balances</i>				
Amounts outstanding between the company and related parties are:				
Mowbray Bethunes Limited	-	-	181,543	438,238
World Wide Fund for Nature Stamp Program	-	-	34,331	18,546
Wildlife Philatelic Collections Pty Limited Agencies	-	-	(64,991)	(72,736)
	(2,499)	309	-	35
	(2,499)	309	150,883	384,083

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

	53,620	49,318	-	-
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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 Mowbray Collectables. The bank holds a personal guarantee from John Mowbray to cover this obligation.

9. Other Payables and Accruals

	Group		Parent	
	2003	2002	2003	2002
	\$	\$	\$	\$
In current liabilities the balance of other payables and accruals comprise:				
Other payables and accruals	97,450	120,250	58,617	24,282
Employee entitlements	142,441	109,956	47,838	31,680
	239,891	230,206	106,455	55,962

Notes to the Financial Statements

For the year ended 31 March 2003

	Group		Parent	
	2003	2002	2003	2002
	\$	\$	\$	\$
10. Plant & Equipment				
Leasehold improvements				
Cost	19,150	17,500	-	
Accumulated depreciation	(9,239)	(8,013)	-	
	9,911	9,487	-	
Office furniture and equipment				
Cost	117,896	117,005	-	-
Accumulated depreciation	(77,306)	(77,656)	-	-
	40,590	39,349	-	-
Plant & equipment				
Cost	115,139	112,727	-	-
Accumulated depreciation	(88,829)	(82,442)	-	-
	26,310	30,285	-	-
Computer equipment				
Cost	57,854	49,572	5,094	5,094
Accumulated depreciation	(32,910)	(17,010)	(2,902)	(879)
	24,944	32,502	2,192	4,215
	101,755	111,623	2,192	4,215
Depreciation Expense by Category				
Leasehold improvements	1,226	1,085	-	-
Office furniture and equipment	6,258	4,430	-	-
Plant and equipment	8,575	12,256	-	-
Computer equipment	18,121	13,888	2,023	713
	34,180	31,659	2,023	713
12. Goodwill				
On acquisition of subsidiaries	1,672,923	1,672,923	-	-
Accumulated amortisation	(446,111)	(278,819)	-	-
	1,226,812	1,394,104	-	-

Notes to the Financial Statements

For the year ended 31 March 2003

12. Investment in Subsidiaries

Subsidiaries owned at 31 March 2003	% Holding at Balance Date		Principal Activities	Balance Date
	2003	2002		
Mowbray Bethunes Ltd	100%	100%	Stamp, philatelic, rare book dealer, retailer & auctioneer	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

The acquisition of shares in subsidiaries affected the prior year Statements of Financial Position and Cash Flows as follows:

	2003	2002
<i>Assets</i>		
Fixed assets	-	39,173
Goodwill on acquisition	-	-
Inventory	-	104,545
Receivables	-	625,917
Cash at bank	-	581,790
<i>Liabilities</i>		
Payables	-	(533,240)
Taxation payable	-	(2,524)
Related party payable	-	-
Shareholder current account	-	-
Loans	-	(152,804)
Purchase price	-	662,857
Issue of shares as part consideration	-	(662,857)
Net outflow of cash to the Company	-	-
Cash at bank of acquired subsidiaries	-	581,790
Net inflow/(outflow) of cash to the Group	-	581,790

Notes to the Financial Statements

For the year ended 31 March 2003

13. Investment in Associates

The Group purchased for \$1,028,110 a 33.33% investment in Peter Webb Galleries Limited effective 21 March 2003. In addition, the Group capitalised costs of \$9,109 associated with the purchase, to give a total cost of \$1,037,219.

The Group holds an option to purchase an additional 16% of share capital in Peter Webb Galleries Limited expiring on 1 October 2004.

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

The Group's operating results for the year ended 31 March 2003 do not include any earnings from Peter Webb Galleries Limited due to the proximity of the acquisition to balance date.

	Group		Parent	
	Year ended 2003	Year ended 2002	Year ended 2003	Year ended 2002
	\$	\$	\$	\$
Carrying amount of investment in associate				
Carrying amount at beginning of year	-	-	-	-
Purchase of associate	1,037,219	-	1,037,219	-
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at end of year	1,037,219	-	1,037,219	-
	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill relating to investment in associate				
Goodwill arising on acquisition of associate	812,497	-	812,497	-
Accumulated amortisation	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill at end of year	812,497	-	812,497	-
	<hr/>	<hr/>	<hr/>	<hr/>
Share of liabilities	139,695	-	139,695	-
Share of assets	364,417	-	364,417	-
	<hr/>	<hr/>	<hr/>	<hr/>
Share of net tangible assets	224,722	-	224,722	-
Goodwill	812,497	-	812,497	-
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount of investment	1,037,219	-	1,037,219	-
	<hr/>	<hr/>	<hr/>	<hr/>

14. Directors' Remuneration

Directors' remuneration paid to directors during 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 \$7,500 for consulting and accounting services provided to the group during the year.

Notes to the Financial Statements

For the year ended 31 March 2003

15. Net Cash Flow from Operating Activities

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

	Group		Parent	
	Year ended 2003 \$	Year ended 2002 \$	Year ended 2003 \$	Year ended 2002 \$
Net surplus/(deficit) after taxation	25,527	36,925	(174,333)	(104,683)
Acquisition of Stanley Gibbons (Australia) Pty Ltd	-	194,700	-	-
Non cash items:				
Loss on sale	2,347	-	-	-
Depreciation	34,180	31,659	2,023	713
Amortisation	167,292	167,292	-	-
Deferred tax asset	(32,894)	(5,312)	(5,332)	(10,455)
	170,925	193,639	(3,309)	(9,742)
Movements in working capital excluding Movements relating to purchase of subsidiaries				
(Increase) in inventories	(32,671)	(79,579)	-	-
(Increase)/decrease in receivables	300,637	(798,365)	774	16,603
Increase/(decrease) in payables	(156,824)	622,453	13,201	(48,611)
Increase in other payables & accruals	9,686	144,839	50,493	8,955
Increase/(decrease) in tax payable	(7,207)	(114,951)	37,466	(39,280)
	113,621	(225,603)	101,934	(62,333)
Net cash inflow/(outflow)	310,073	199,661	(75,708)	(176,758)

16. Operating Lease Commitments

Commitments in respect of non-cancellable operating leases:

Not later than one year	5,641	2,202	-	-
Later than one year and not later than two years	4,448	2,046	-	-
Later than two years and not later than five years	6,292	853	-	-
Later than five years	-	-	-	-
	16,381	5,101	-	-

Notes to the Financial Statements

For the year ended 31 March 2003

17. Segmental Information

	Total		New Zealand		Australia		Eliminations	
	2003	2002	2003	2002	2003	2002	2003	2002
Total Revenue	4,112,279	3,920,350	2,081,793	1,875,526	2,184,692	2,205,732	(154,206)	(160,908)
Surplus/(deficit) before income tax	91,582	141,327	282,794	243,128	(23,920)	65,491	(167,292)	(167,292)
Taxation	66,055	104,402	84,994	79,328	(18,939)	25,074	-	-
Surplus/(deficit) after taxation	25,527	36,925	197,800	163,800	(4,981)	40,417	(167,292)	(167,292)
Total Assets	5,233,435	4,500,830	5,545,217	4,222,964	1,289,254	1,637,310	(1,601,036)	(1,359,444)

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

The fair value of all financial instruments (cash, receivables, trade creditors and payables) 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 Mowbray Collectables Limited group's Australian subsidiaries at balance date was \$683,738 (2002: \$640,870)

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 \$9,143,823 and there were \$19,366 of bad debts (0.21%). The Group's credit policies are regarded as conservative and fiscally prudent.

19. Subsequent Events

On the 29 May 2003, the directors declared a fully imputed dividend of 2 cents per share. The dividend of \$179,574 is payable on 30 July 2003.

There were no other events subsequent to balance date that would effect these financial statements.

20. Commitments

There are no known commitments at 31 March 2003 (2002: \$Nil)

21. Contingencies

There are no known contingencies at 31 March 2003 (2002: \$Nil)

AUDIT REPORT

To the Shareholders of Mowbray Collectables Limited

We have audited the financial report on pages 6 to 19. The financial report provides information about the past financial performance and financial position of Mowbray Collectables Limited and group as at 31 March 2003. This information is stated in accordance with the accounting policies on pages 9 and 10.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, 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 2003 and of the results of their operations and cash flows for the year ended 31 March 2003.

Auditors' 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 obtain 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 information in the financial report.

Other than in our capacity as auditors and the provision of accounting and taxation services, we have no other relationship with or interests in Mowbray Collectables Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations 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 19:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the financial position of Mowbray Collectables Ltd and group as at 31 March 2003 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 23 June 2003 and our unqualified opinion is expressed as at that date.

Deloitte Touche Tohmatsu

**Chartered Accountants
Wellington, New Zealand**

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
M. C. Radford
I. J. Halsted

Stock Exchange Listing

The Company's ordinary shares are listed on the New Zealand Stock Exchange Limited 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 Markets Act 1988 recorded the following information as at 16 June 2003:

<i>Name</i>	<i>Number of Voting Securities</i>
J. R. Mowbray	4,403,237
RECT Funds Management Ltd	892,000
J. I. Urquhart	640,000
R. A. Brierley	600,000

At 16 June 2003 the total issued voting securities was 8,978,714.

Option Holders

On 21 March 2000, each of the directors was granted 115,000 options to subscribe for ordinary shares. No money was received by the Company as consideration for the grant of the options. During the year ended 31 March 2003, each of the directors exercised all of their respective options. Of the options that were exercised by J. R. Mowbray, 14,000 were exercised before the company's 1:8 rights issue and at 50 cents per share. The balance of 101,000 options that were exercised by J. R. Mowbray and all of the options that were exercised by both I. J. Halsted and M. C. Radford were exercised after the company's 1:8 rights issue and at 44.44 cents per share, being the ex-issue adjusted price. Further details are in the section under "Directors' Shareholdings and Dealings".

Statutory & Shareholder Information

Largest Shareholders

The names of the 20 largest shareholders and their holdings as at 16 June 2003 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	892,000	9.93%
J. I. Urquhart	640,000	7.13%
R. A. Brierley	600,000	6.68%
M. C. Radford	265,000	2.95%
I. J. Halsted	217,500	2.42%
S. M. Mowbray & R. F. Oldham	199,665	2.22%
Forbar Custodians Ltd	103,837	1.16%
Dagger Nominees Ltd	63,509	0.71%
G. D. Ashworth	61,875	0.69%
Forbar Custodians Ltd	49,612	0.55%
G. R. Harris	48,000	0.53%
PCS Investment Nominees Ltd	45,000	0.50%
R. J. Dunlop & J. M. Dunlop	45,000	0.50%
C. Biggs	35,250	0.39%
J. H. Oakley	33,750	0.38%
C. J. Ashby & E. D. Ashby	33,750	0.38%
M. D. Small	28,815	0.32%
P. Cutfield	28,125	0.31%
A. Harris	28,125	0.31%
	7,822,050	87.10%

The total shares on issue at 16 June 2003 was 8,978,714.

Spread of Shareholders

The spread of shareholders as at 16 June 2003 was:

<i> Holding Range</i>	<i>No. of Holders</i>	<i>Total Shares</i>	<i>Percentage</i>
1 - 1,000	28	26,249	0.29%
1,001 - 5,000	173	358,759	3.99%
5,001 - 10,000	32	214,225	2.39%
10,001 - 100,000	47	1,058,242	11.79%
100,001 - 5,000,000	8	7,321,239	81.54%
	288	8,978,714	100.00%

Statutory & Shareholder Information

Directors' Shareholdings and Dealings

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

	Notes	2003		2002	
		No. of Shares	No. of Options	No. of Shares	No. of Options
J R Mowbray					
Opening balance		4,136,172	115,000	3,993,315	115,000
Movements	1	267,065	(115,000)	142,857	-
Closing balance		4,403,237	-	4,136,172	115,000
I J Halsted					
Opening balance		100,000	115,000	100,000	115,000
Movements	2	117,500	(115,000)	-	-
Closing balance		217,500	-	100,000	115,000
M C Radford					
Opening balance		200,000	115,000	200,000	115,000
Movements	3	65,000	(115,000)	-	-
Closing balance		265,000	-	200,000	115,000

Note 1 In the 2002 year, shares were issued to J. R. Mowbray as consideration for his shares in Stanley Gibbons (Australia) Pty Limited.

In the 2003 year, J. R. Mowbray purchased 270,665 net rights issue entitlement, exercised his 115,000 option entitlement to shares, and sold 129,850 shares to friends, staff and business associates to increase the shareholder spread. In May 2003, after the announcement of the year's result, J. R. Mowbray purchased 11,250 shares. The 2003 figures are therefore for the period to 16 June 2003.

Note 2 In the 2003 year, I. J. Halsted purchased 2,500 net rights issue entitlement and exercised his 115,000 option entitlement to shares.

Note 3 In the 2003 year, M. C. Radford exercised his 115,000 option entitlement to shares and sold 50,000 shares.

Directors' Remuneration

Directors' remuneration paid to directors 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 \$7,500 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.

Statutory & Shareholder Information

Audit Fees & Other Services

Fees paid, or accrued as payable, to Deloitte Touche Tohmatsu comprise:

	Group		Parent	
	Year ended 2003	Year ended 2002	Year ended 2003	Year ended 2002
	\$	\$	\$	\$
Audit fees	30,240	35,000	30,240	25,845
Other fees	58,548 *	44,280	58,549	17,435

* The other fees paid to auditor includes in addition to the \$46,005 disclosed in Note 2 of the financial statements, an additional \$12,543 fee associated with the acquisition of Peter Webb Galleries Limited and the raising of capital during the year which has been capitalised or charged to the cost of raising capital.

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

Auditors

Deloitte Touche Tohmatsu, Wellington

Solicitors

Gilbert Swan, Wellington
Quigg Partners, Wellington

Share Registrar

BK Registries
PO Box 384
Ashburton