

## 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 period ended 31 March 2002.

For and on behalf of the Board of Directors



Murray Radford  
Chairman



John Mowbray  
Director

26 July 2002

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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 Friday 30 August 2002 at 9.30am.

### **Business**

#### *Financial Statements & Reports*

1. To receive and consider the 2002 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 Deloitte 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**

26 July 2002

### **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.

## Report Highlights

## **Directors' Report**

The directors are pleased to present to shareholders this second Annual Report of the Mowbray Collectables Limited group of companies. This report covers the activities of the group for the full year to 31 March 2002.

### **Financial Results**

We are pleased to report a positive result for the year for the Mowbray Collectables group. An operating surplus of \$321,963 (before interest, tax, depreciation and amortisation) was achieved, compared with a deficit last year of \$48,086.

Our accounting policy is to write-off goodwill over ten years, so \$167,292 was amortised in the year. As this is not deductible for tax there is a tax expense of \$104,402 on the pre-amortisation profit. After depreciation of \$31,659 and net interest income of \$18,315, the group achieved a net surplus of \$36,925 compared with last year's loss of \$175,026.

### **Trading**

The group traded well during the year. All auctions achieved pleasing turnover and commissions. Other activities were up to expectation.

The undoubted highlight of the year was the successful integration of Stanley Gibbons (Australia) Pty Ltd into the group. This company has contributed well to the group and there have been real advantages already in sharing of management, mailing lists and marketing. The Sydney market is proving particularly buoyant.

J R Mowbray (Philatelist) traded profitably during the year and continues to have strong monthly sales. Since balance date, sales are 18% ahead of last year's comparative figures. Whilst stock purchasing opportunities continue to be attractive, the directors are conscious of the need to control overall stock levels.

John Mowbray International held a very successful auction in November 2001, and planning for a "bigger and better sale" this year is well underway.

Bethunes Rare Books held four auctions in the reporting period and turnover is growing steadily. The sale scheduled for 29 August 2002 will probably be the biggest book auction held in New Zealand. It will be a significant sale, reflecting the 125<sup>th</sup> Anniversary of the founding J H Bethune & Co.

The House of Stamps is trading well and continues to look for further products to market.

The World Wide Fund for Nature Stamp Programme in Australia continues to attract strong interest with a record level of subscribers. However, marketing in New Zealand is affected by the smaller population base and restricted opportunities. Overall we sell about 18% of the total world WWF Programme; an outstanding market penetration.

We continue to look for new trading opportunities and in September will hold our first coin and banknote auction in Auckland, in conjunction with P & M Eccles, a major coin dealer. We expect this will be the first of annual sales, similar to the John Mowbray International stamp auction. We see real potential for such an event to be held in New Zealand.

### **Group Restructure**

Towards the end of the financial year we moved to restructure the New Zealand companies by reducing the number of legal entities. All New Zealand business units have been amalgamated into one limited liability company, Mowbray Bethunes Ltd. This was intended at the time of the acquisition in late 2000 of the businesses that comprised the key transaction. The directors expect this to simplify the group's New Zealand activities and hope there will be some tangible benefits in the near future. We also introduced improved auction management and accounting and reporting procedures.

## **Directors' Report**

### **Staff**

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

### **Main Board Listing**

The Directors are conscious of the restrictions placed on the company by the New Capital Market. We continue to explore ways of graduation to the main board, including another acquisition. Whilst considerable time has been spent on this, to date we have not been able to conclude any of the opportunities presented.

The NZSE has announced the formation of a Junior Board comprised of NCM and unlisted companies. To date no details are available but as we remain the only profitable company on the NCM, we anticipate any changes must be to our benefit.

### **Outlook**

The rise of the NZ dollar against other currencies is expected to have little effect to us. Any effect on our exports is offset by cheaper costs of our imports of stock. We are concerned at the high cost of auditing and accounting services for such a small company and continue to ensure such costs are justified and leading to efficiencies in the future. In line with this, a common accounting package has been successfully introduced to all business units.

Trading is strong over all units, and provided costs can be contained, the directors look to an improved result this 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 Ian Halsted 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

26 July 2002

## **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.

## **Board of Directors**

### **Murray Radford** BCA, CA, ACIS, DipCM, M Inst. D - Chairman

Murray is Chairman and a shareholder of the company, holding 200,000 shares and 115,000 options. 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 4,136,172 shares and 115,000 options. 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 100,000 shares and 115,000 options. 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 2002

	<i>Notes</i>	<b>Group</b>		<b>Parent</b>	
		<b>Year ended 2002</b>	<b>Period ended 2001</b>	<b>Year ended 2002</b>	<b>Period ended 2001</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating revenue	1	3,894,407	1,587,632	149,842	103,032
Surplus (deficit) before interest, taxation, <b>depreciation and amortisation</b>		321,963	(48,086)	(116,042)	(123,408)
Depreciation		31,659	9,791	713	166
Amortisation		167,292	111,528	-	-
<b>Surplus (deficit) before interest and taxation</b>		123,012	(169,405)	(116,755)	(123,574)
Interest income	1	25,943	40,525	2,006	40,397
Interest expense		(7,628)	(16,171)	(389)	(305)
<b>Surplus (deficit) before income tax</b>	2	141,327	(145,051)	(115,138)	(83,482)
Taxation	3	104,402	29,975	(10,455)	13,489
<b>Net surplus (deficit) after taxation</b>		36,925	(175,026)	(104,683)	(96,971)

## Statement of Movements in Equity

For the year ended 31 March 2002

	<i>Notes</i>	<b>Group</b>		<b>Parent</b>	
		<b>Year ended 2002</b>	<b>Period ended 2001</b>	<b>Year ended 2002</b>	<b>Period ended 2001</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equity at beginning of period		2,494,788	-	2,578,029	-
Share capital issued	4	752,857	2,675,000	752,857	2,675,000
Surplus (deficit) after taxation		36,925	(175,026)	(104,683)	(96,971)
Movement in foreign currency translation reserve	5	(32,626)	(5,186)	-	-
Equity at end of period		3,251,944	2,494,788	3,226,203	2,578,029


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 2002

	Notes	Group		Parent	
		Year ended 2002 \$	Period ended 2001 \$	Year ended 2002 \$	Period ended 2001 \$
<b>EQUITY</b>					
Share capital	4	3,427,857	2,675,000	3,427,857	2,675,000
Accumulated deficit	6	(138,101)	(175,026)	(201,654)	(96,971)
Foreign currency translation reserve	5	(37,812)	(5,186)	-	-
<b>Total Equity</b>		<b>3,251,944</b>	<b>2,494,788</b>	<b>3,226,203</b>	<b>2,578,029</b>
<b>Represented by:</b>					
<b>CURRENT ASSETS</b>					
Bank accounts & deposits		747,221	174,198	85,202	260,984
Receivables		922,264	123,899	774	16,603
Advances to subsidiaries	8	-	-	384,083	343,082
Inventory	7	1,312,159	1,232,580	-	-
Related party receivables	8	309	(16,837)	-	-
Deferred tax	3	13,150	7,838	10,455	-
<b>Total Current Assets</b>		<b>2,995,103</b>	<b>1,521,678</b>	<b>480,514</b>	<b>620,669</b>
<b>CURRENT LIABILITIES</b>					
Trade creditors		1,011,463	405,624	6,946	56,790
Other payables & accruals	9	230,206	68,750	55,962	45,000
Taxation	3	6,925	121,876	(41,525)	(2,244)
Shareholder payable	10	292	47,082	-	47,082
<b>Total Current Liabilities</b>		<b>1,248,886</b>	<b>643,332</b>	<b>21,383</b>	<b>146,628</b>
<b>WORKING CAPITAL</b>		<b>1,746,217</b>	<b>878,346</b>	<b>459,131</b>	<b>474,041</b>
<b>NON-CURRENT ASSETS</b>					
Plant & equipment	11	111,623	55,047	4,215	3,988
Goodwill	12	1,394,104	1,561,395	-	-
Investment in subsidiaries	13	-	-	2,762,857	2,100,000
<b>Total Non-Current Assets</b>		<b>1,505,727</b>	<b>1,616,442</b>	<b>2,767,072</b>	<b>2,103,988</b>
<b>NET ASSETS</b>		<b>3,251,944</b>	<b>2,494,788</b>	<b>3,226,203</b>	<b>2,578,029</b>

For and on behalf of the Board of Directors



Murray C Radford  
Chairman



John R Mowbray  
Managing Director

18 July 2002

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 2002

	Notes	Group		Parent	
		Year ended 2002 \$	Period ended 2001 \$	Year ended 2002 \$	Period ended 2001 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided from (applied to)</b>					
Receipts from customers		3,807,004	1,670,982	164,600	86,430
Interest received		25,943	40,525	2,006	40,397
Payments to suppliers & employees		(3,398,622)	(1,751,805)	(303,695)	(124,650)
Interest paid		(7,473)	(16,172)	(389)	(305)
Taxation paid		(227,191)	(16,257)	(39,280)	(15,734)
<b>Net cash flow from operating activities</b>	15	<b>199,661</b>	<b>(72,727)</b>	<b>(176,758)</b>	<b>(13,862)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was provided from (applied to)</b>					
Purchase of plant & equipment		(49,063)	(18,175)	(940)	(4,154)
Purchase of subsidiaries	13	581,790	(366,805)	-	(300,000)
Advances to other entities		-	-	-	(343,083)
<b>Net cash flows from investing activities</b>		<b>532,727</b>	<b>(384,980)</b>	<b>(940)</b>	<b>(647,237)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided from (applied to)</b>					
Issue of equity share capital	14	90,000	875,000	90,000	875,000
Overpayment of current account by shareholder		-	-	-	47,083
Current accounts repaid to shareholder		(46,790)	(101,365)	(47,083)	-
Loans repaid		(169,949)	(136,544)	(41,001)	-
<b>Net cash flow from financing activities</b>		<b>(126,739)</b>	<b>637,091</b>	<b>1,916</b>	<b>922,083</b>
<b>Net increase/(decrease) in cash held</b>		<b>605,649</b>	<b>179,384</b>	<b>(175,782)</b>	<b>260,984</b>
<b>Cash at beginning of period</b>		<b>174,198</b>	<b>-</b>	<b>260,984</b>	<b>-</b>
<b>Effect of exchange rate change on foreign currency balance</b>		<b>(32,626)</b>	<b>(5,186)</b>	<b>-</b>	<b>-</b>
<b>Cash at end of period</b>		<b>747,221</b>	<b>174,198</b>	<b>85,202</b>	<b>260,984</b>
<b>Comprising:</b>					
Cash at bank	- New Zealand	186,996	168,583	85,202	260,984
	- Australia	560,225	5,615	-	-
		<b>747,221</b>	<b>174,198</b>	<b>85,202</b>	<b>260,984</b>

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 2002

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

### **Reporting Entity & Period**

Mowbray Collectables Limited, the Parent company, was incorporated on 22 February 2000.

Effective 1 April 2001, Mowbray Collectables Limited acquired Stanley Gibbons (Australia) Pty Limited. The Group Financial Statements are for the year from 1 April 2001 to 31 March 2002, and include the financial results for the acquired entity for the same period.

The Mowbray Collectables Limited group-comprises the following entities:

- Mowbray Collectables Limited (Parent)
- Mowbray Bethunes Limited
- World Wide Fund for Nature Stamp Programme (New Zealand agency)
- Wildlife Philatelic Collections Pty Limited
- Stanley Gibbons (Australia) Pty Limited

During the year, 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 Consolidated 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 year are consolidated from the effective dates of the acquisition.

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

#### **b) 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.

#### **c) Receivables**

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

#### **d) 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.

#### **e) Plant & Equipment**

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

## **Statement of Accounting Policies**

For the year ended 31 March 2002

**f) Depreciation**

Depreciation has been calculated using the following rates:

Plant and equipment	10% - 33% DV
Furniture & fittings	15% - 20% DV
Computer equipment	26% - 48% DV

**g) Goods and Services Tax**

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

**h) 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.

**i) 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.

**j) Employee Entitlements**

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

**k) 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.

**l) Comparative Figures**

The comparative figures for the Group Financial Statements are for the period from 22 February 2000 to 31 March 2001, but include the financial results of the acquired entities only for the period from 1 August 2000 to 31 March 2001. The current year Group Financial Statements are for the year from 1 April 2001 to 31 March 2002, including the acquired entity, Stanley Gibbons (Australia) Pty Limited.

### **Changes in Accounting Policies**

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

### **Statement of Cash Flows**

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

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 March 2002

	Group		Parent	
	Year ended 2002 \$	Period ended 2001 \$	Year ended 2002 \$	Period ended 2001 \$
<b>1. Total Revenue</b>				
Total revenue comprises:				
Turnover & auction commission	3,894,407	1,587,632	-	-
Interest income	25,943	40,525	2,006	40,397
Management fees from subsidiaries	-	-	149,842	103,032
	3,920,350	1,628,157	151,848	143,429
<b>2. Surplus (Deficit) before Income Tax</b>				
Included in the surplus (deficit) before income tax are the following:				
<i>Expenses</i>				
Audit fees	35,000	39,099	25,845	31,599
Other fees paid to the auditor	44,280	23,759	17,435	23,759
Bad & doubtful debts:				
Bad debts	16,272	6,159	-	-
Provision for doubtful debts	-	-	-	-
Brokerage paid on raising share capital	-	37,500	-	37,500
Directors' fees	-	-	-	-
Legal fees	7,507	26,939	7,507	26,939
Prospectus costs	-	7,344	-	7,344
Operating lease rental expenses	178,314	43,770	-	-
<b>3. Taxation</b>				
<b>Taxation expense</b>				
Net surplus/(deficit) before taxation	141,327	(145,051)	(115,138)	(83,482)
Prima-facie tax	46,638	(47,867)	(37,996)	(27,549)
<b>Adjustment for difference in NZ and Australian tax rates</b>	(1,965)		-	-
<b>Add/(less) taxation effect of permanent differences:</b>				
Amortisation of intangible assets	55,206	36,804	-	-
Fines and penalties	67	-	-	-
Other non-deductible items	6,538	41,038	(971)	41,038
Taxation expense/(benefit of losses) for year	106,484	29,975	(38,967)	13,489
Group offsets			28,512	-
Underprovision for income tax last year	(2,082)	-	-	-
Taxation expense (benefit)	104,402	29,975	(10,455)	13,489
<b>The taxation expense comprises:</b>				
Current taxation	111,796	37,813	-	13,489
Underprovision for income tax last year	(2,082)	-	-	-
Future income tax benefit	(5,312)	(7,838)	(10,455)	-
	104,402	29,975	(10,455)	13,489

## Notes to the Financial Statements

For the year ended 31 March 2002

	Group		Parent	
	Year ended 2002 \$	Period ended 2001 \$	Year ended 2002 \$	Period ended 2001 \$
<b>3. Taxation continued</b>				
<b>Taxation payable/(refundable)</b>				
Opening balance	121,876	2,103	(2,244)	-
Income tax paid	(65,073)	-	-	-
Provision for income tax for the current year	111,796	37,813	-	13,489
Provisional tax paid	(160,334)	-	(38,500)	-
Interest resident withholding tax paid	(1,663)	(15,759)	(781)	(15,733)
Prior year adjustments	(2,082)	-	-	-
Taxation on pre-acquisition profits	-	97,719	-	-
Opening balance from acquired subsidiary	2,405	-	-	-
Closing balance	6,925	121,876	(41,525)	(2,244)
<b>Deferred Tax</b>				
Opening balance (Future income tax benefit)	(7,838)	-	-	-
Current year charge (Future income tax benefit)	(5,312)	(7,838)	(10,455)	-
Closing balance	(13,150)	(7,838)	(10,455)	-
<b>Imputation Credits</b>				
Balance at the beginning of year	17,014	-	15,734	-
Taxation paid	212,345	17,014	40,927	15,734
	229,359	17,014	56,661	15,734

### 4. Share Capital

Company and Group	2002		2001	
	Number	Value	Number	Value
<b>Ordinary Shares – fully paid</b>				
Balance at beginning of year	5,900,000	2,675,000	-	-
Share capital issued to directors	-	-	1,100,000	275,000
Share capital issued to public	180,000	90,000	1,200,000	600,000
Share capital issued for acquisitions	-	-	3,600,000	1,800,000
Share capital issued as consideration for the acquisition of:				
Stanley Gibbons (Australia) Pty Ltd	1,142,857	662,857	-	-
Share capital at end of period	7,222,857	3,427,857	5,900,000	2,675,000

On 19 October 2001 the organising broker exercised their options to acquire 180,000 shares at 50 cents per share. On 17 July 2001, the parent issued 1,142,857 shares at 58 cents per share as consideration for the acquisition of Stanley Gibbons (Australia) Pty Limited.

On 21 March 2000, the company granted options to subscribe for 115,000 shares at 50 cents per share to each director of Mowbray Collectables Limited. These options expire if not exercised before 20 April 2003.

## Notes to the Financial Statements

For the year ended 31 March 2002

	Group		Parent	
	Year ended 2002 \$	Period ended 2001 \$	Year ended 2002 \$	Period ended 2001 \$
<b>5. Foreign Currency Translation Reserve</b>				
Opening balance	(5,186)	-	-	-
Arising on translation of independent foreign operations	(32,626)	(5,186)	-	-
Closing balance	(37,812)	(5,186)	-	-
<b>6. Accumulated Surplus/(Deficit)</b>				
Balance at beginning of period	(175,026)	-	(96,971)	-
Surplus/(deficit) for period after taxation	36,925	(175,026)	(104,683)	(96,971)
Accumulated surplus/(deficit) at end of period	(138,101)	(175,026)	(201,654)	(96,971)
<b>7. Inventory</b>				
Rotating auction stock (at 30% of estimated selling price)	361,510	320,217	-	-
Auction stock Australia (at 75% of estimated selling price)	70,760	-	-	-
Purchased material (cost)	420,664	339,939	-	-
NZ stamps (at 80% of face value)	84,803	87,064	-	-
Stock greater than 3 years old	10,816	26,277	-	-
WWF chapters on hand (cost)	193,874	244,688	-	-
Accessories (cost)	115,858	103,483	-	-
NZ Post Year Books (at 50% of valuation)	-	11,121	-	-
Books on hand (cost)	13,072	6,000	-	-
Stock in transit (cost)	36,203	80,791	-	-
Other (cost)	4,599	13,000	-	-
Total Inventory	1,312,159	1,232,580	-	-
<b>8. Related Parties</b>				
<b>Transactions</b>				

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

Sales by the company to its subsidiaries totalled \$149,842 (2001: \$103,032) and comprised of management fees charged to the Australian subsidiaries. There were no purchases from subsidiaries.

The parent acquired the shares in Stanley Gibbons (Australia) Pty Limited from R. A. Brierley and J. R Mowbray, by issuing shares in Mowbray Collectables Limited as consideration. J. R Mowbray is the Managing Director of the group and a shareholder in the parent. R. A. Brierley is an advisor to the Board for the Australian operations.

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 2002

	Group		Parent	
	Year ended	Period ended	Year ended	Period ended
	2002	2001	2002	2001
	\$	\$	\$	\$

### 8. Related Parties continued

#### *Outstanding balances*

Amounts outstanding between the company and related parties are:

Mowbray Bethunes Limited			438,238	-
Bethunes Rare Books Limited			-	-
J. R. Mowbray Philatelist Limited			-	361,265
House of Stamps Limited			-	30,532
John Mowbray International			-	(43,785)
World Wide Fund for Nature Stamp Programme			18,546	(4,930)
Wildlife Philatelic Collections Pty Limited Agencies	309	(16,837)	(72,736) 35	- -
	<u>309</u>	<u>(16,837)</u>	<u>384,083</u>	<u>343,082</u>

The related party receivables in the Consolidated Statement of Financial Position are receivables in respect of agencies held by Mowbray Bethunes Limited

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

49,318	36,351
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### 9. Other Payables and Accruals

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

Other payables and accruals	120,250	45,000	24,282	45,000
Employee entitlements	109,956	23,750	31,680	-
Total other payables and accruals	<u>230,206</u>	<u>68,750</u>	<u>55,962</u>	<u>45,000</u>

### 10. Shareholder Payable

This is due to John Mowbray. It arises as a combination of expenses paid on behalf by the Group that are outstanding, and purchases from the shareholder by the Group for an auction. This is payable in the current year. No interest is charged to the company.

292	47,082	-	47,082
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## Notes to the Financial Statements

For the year ended 31 March 2002

	Group		Parent	
	Year ended 2002 \$	Period ended 2001 \$	Year ended 2002 \$	Period ended 2001 \$
<b>11. Plant &amp; Equipment</b>				
Leasehold improvements				
Cost	17,500	14,218	-	-
Accumulated depreciation	(8,013)	(3,646)	-	-
	<u>9,487</u>	<u>10,572</u>	-	-
Office furniture and equipment				
Cost	117,005	2,495	-	-
Accumulated depreciation	(77,656)	(1,123)	-	-
	<u>39,349</u>	<u>1,372</u>	-	-
Plant & equipment				
Cost	112,727	40,252	-	-
Accumulated depreciation	(82,442)	(12,489)	-	-
	<u>30,285</u>	<u>27,673</u>	-	-
Computer equipment				
Cost	49,572	17,460	5,094	4,154
Accumulated depreciation	(17,070)	(2,030)	(879)	(166)
	<u>32,502</u>	<u>15,430</u>	<u>4,215</u>	<u>3,988</u>
	<u>111,623</u>	<u>55,047</u>	<u>4,215</u>	<u>3,988</u>
<b>12. Goodwill</b>				
On acquisition of subsidiaries	1,672,923	1,672,923	-	-
Accumulated amortisation	(278,819)	(111,528)	-	-
	<u>1,394,104</u>	<u>1,561,395</u>	-	-

## Notes to the Financial Statements

For the year ended 31 March 2002

### 13. Investment in Subsidiaries

Stanley Gibbons (Australia) Pty Limited was acquired on 1 April 2001, with settlement date of 17 July 2001. The results of operations are included in the Consolidated Statement of Financial Performance as from the effective date.

Subsidiaries owned at 31 March 2002	% Holding at Balance Date		Principal Activities	Balance Date
	2002	2001		
Mowbray Bethunes Ltd	100%	-	Stamp, philatelic, rare book dealer, retailer & auctioneer	31 March
Bethunes Rare Books Ltd	-	100%	Rare book dealer and auctioneer	31 March
J R Mowbray Philatelist Ltd	-	100%	Stamp dealer	31 March
House of Stamps Ltd	-	100%	Stamp & philatelic accessories mail order retailer	31 March
John Mowbray International	-	100%	International stamp auctioneer	31 March
World Wide Fund for Nature Stamp Program (New Zealand Agency)	100%	100%	International stamp programme agency	31 March
Wildlife Philatelic Collections Pty Ltd	100%	100%	International stamp program agency	31 March
Stanley Gibbons (Australia) Pty Ltd	100%	-	International stamp auctioneer	31 March

At balance date, Mowbray Bethunes Limited was the operational company for the New Zealand entities, whose principal activity was therefore rare book dealer and auctioneer, stamp dealer, stamp & philatelic accessories mail order retailer, and international stamp auctioneer.

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

	2002	2001
<i>Assets</i>		
Fixed assets	39,173	46,663
Goodwill on acquisition	-	1,672,923
Inventory	104,545	1,211,307
Receivables	625,917	207,249
Cash at bank	581,790	(66,805)
<i>Liabilities</i>		
Payables	(533,240)	(525,024)
Taxation payable	(2,524)	(100,321)
Related party payable	-	(61,000)
Shareholder current account	-	(148,448)
Loans	(152,804)	(136,544)
<b>Purchase price</b>	662,857	2,100,000
Issue of shares as part consideration	(662,857)	(1,800,000)
<b>Net outflow of cash to the Company</b>	-	(300,000)
Cash at bank of acquired subsidiaries	581,790	(66,805)
<b>Net inflow/(outflow) of cash to the Group</b>	581,790	(366,805)

## Notes to the Financial Statements

For the year ended 31 March 2002

### 14. Directors' Remuneration

No directors' remuneration was paid to directors during the period. John Mowbray, as managing director, receives a salary of \$125,000 per annum. During the period, John Mowbray received salary payments of \$124,572.

M. C. Radford received fees from the Company of \$25,000 for consulting and accounting services provided to the group in regard to the acquisition of subsidiaries and the Special Meeting of shareholders, of which \$15,000 had been accrued in the prior year.

### 15. Net Cash Flow from Operating Activities

*Reconciliation of Statement of Financial Performance deficit with net cash flow from operating activities:*

	Group		Parent	
	Year ended 2002 \$	Period ended 2001 \$	Year ended 2002 \$	Period ended 2001 \$
<b>Reported surplus/(deficit) after taxation</b>	36,925	(175,026)	(104,683)	(96,971)
<b>Cash effect of adjustments to goodwill on acquisition</b>	-	(135,053)	-	-
<b>Acquisition of Stanley Gibbons (Australia) Pty Ltd</b>	194,700	-	-	-
<b>Non cash items:</b>				
Depreciation	31,659	9,791	713	166
Amortisation	167,292	111,528	-	-
Deferred tax asset	(5,312)	(7,838)	(10,455)	-
	<u>193,639</u>	<u>113,481</u>	<u>(9,742)</u>	<u>166</u>
<b>Movements in working capital excluding Movements relating to purchase of subsidiaries</b>				
(Increase)/decrease in inventories	(79,579)	(21,273)	-	-
(Increase)/decrease in receivables	(798,365)	83,350	16,603	(16,603)
Increase/(decrease) in payables	622,453	(80,231)	(48,611)	56,790
Increase/(decrease) in other payables & accruals	144,839	68,750	8,955	45,000
Increase/(decrease) in tax payable	(114,951)	73,275	(39,280)	(2,244)
	<u>(225,603)</u>	<u>123,871</u>	<u>(62,333)</u>	<u>82,943</u>
<b>Net cash inflow/(outflow)</b>	<u>199,661</u>	<u>(72,727)</u>	<u>(176,758)</u>	<u>(13,862)</u>

### 16. Operating Lease Commitments

Commitments in respect of non-cancellable operating leases:

Not later than one year	2,202	5,016	-	-
Later than one year and not later than two years	2,046	2,202	-	-
Later than two years and not later than five years	853	2,899	-	-
Later than five years	-	-	-	-
	<u>5,101</u>	<u>10,117</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements

For the year ended 31 March 2002

### 17. Segmental Information

	Total		New Zealand		Australia		Eliminations	
	2002	2001	2002	2001	2002	2001	2002	2001
Total Revenue	3,920,350	1,628,157	1,875,526	1,346,833	2,205,732	444,299	(160,908)	(162,975)
Surplus/(deficit) before income tax	141,327	(145,051)	243,128	(25,648)	65,491	(7,875)	(167,292)	(111,528)
Taxation	104,402	29,975	79,328	127,688	25,074	-	-	(97,713)
Surplus/(deficit) after taxation	36,925	(175,026)	163,800	(153,336)	40,417	(7,875)	(167,292)	(13,815)
Total Assets	4,500,830	3,138,120	4,222,964	3,588,065	1,637,310	137,327	(1,359,444)	(587,272)

### 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 NZD equivalent of the unhedged net assets of Mowbray Collectables Limited group's Australian subsidiaries at balance date was \$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 auction turnover was \$9,067,888 and there were \$16,272 of bad debts (0.18%). The Group's credit policies are regarded as conservative and fiscally prudent.

### 19. Subsequent Events

There were no subsequent events since balance date.

### 20. Commitments

There are no known commitments at 31 March 2002 (2001: \$Nil)

### 21. Contingencies

There are no known contingencies at 31 March 2002 (2001: \$Nil)

**Audit Report to the Shareholders of Mowbray Collectables Limited**

We have audited the financial report on pages 7 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 2002. This information is stated in accordance with the accounting policies on pages 10 and 11.

**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 Collectable Limited and group as at 31 March 2002 and of the results of their operations and cash flows for the year ended 31 March 2002.

**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.

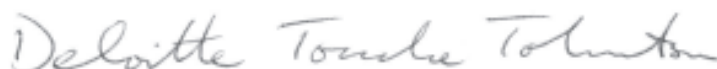
**Unqualified Opinion**

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 7 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 2002 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 18 July 2002 and our unqualified opinion is expressed as at that date.



**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 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 is designated as a new capital markets "NCM" issuer. The Company's ordinary shares are listed on the New Zealand Stock Exchange with the security code "MOW".

### **Substantial Security Holders**

The Company's register of substantial security holders, prepared in accordance with section 25 of the Securities Amendment Act 1988 recorded the following information as at 20 June 2002:

<i>Name</i>	<i>Number of Voting Securities</i>
J. R. Mowbray	4,136,172
R. A. Brierley	1,000,000

At 20 June 2002 the total issued voting securities was 7,222,857.

### **Option Holders**

The names of the holders of options granted by the Company are:

<i>Name</i>	<i>Number of Options Held</i>	<i>Percentage of Options</i>
J. R. Mowbray	115,000	33.3%
M. C. Radford	115,000	33.3%
I. J. Halsted	115,000	33.3%
	<hr/>	<hr/>
	345,000	100.0%

The options were granted on 21 March 2000 to subscribe for ordinary shares at a price of \$0.50 per share and are non-transferable. The options held by the directors will expire if not exercised before 20 April 2003, or earlier in circumstances, where the holder ceases to be a director. The options held by Forsyth Barr Ltd, the organising broker, at 31 March 2001 were exercised on 19 October 2001 for 180,000 shares at 50 cents per share. No money was received by the Company as consideration for the grant of the options

## Statutory & Shareholder Information

### Largest Shareholders

The names of the 21 largest shareholders and their holdings as at 20 July 2002 were:

	<i>Name Shares Held</i>	<i>Percentage of Issued Shares</i>
J. R. Mowbray	4,136,172	57.27%
R. A Brierley	1,000,000	13.82%
J. I. Urquhart	450,000	6.23%
M. C. Radford	200,000	2.77%
I. J. Halsted	100,000	1.38%
Forbar Custodians Ltd	100,000	1.38%
S. M. Mowbray & R. F. Oldham	74,000	1.03%
G. R. Harris	48,000	0.67%
Forbar Custodians Ltd	44,100	0.61%
PCS Investment Nominees Ltd	40,000	0.55%
C. Biggs	34,000	0.47%
J. H. Oakley	30,000	0.42%
G. D. Ashworth	30,000	0.42%
G. Ashworth	25,000	0.35%
Forbar Custodians Ltd & Account 5317	25,000	0.35%
M. D. Small	24,000	0.33%
R. G. Phillips	24,000	0.33%
J. McLinden	24,000	0.28%
L. A Martin & P. W. Martin	20,000	0.28%
R. C. Laurenson	20,000	0.28%
T. B. Delaney	20,000	0.28%
	6,468,272	89.55%

The total shares on issue at 20 June 2002 was 7,222,857.

### Spread of Shareholders

The spread of shareholders as at 20 June 2002 was:

<i> Holding Range</i>	<i>No. of  Holders</i>	<i>Total  Shares</i>	<i>Percentage</i>
1 - 1,000	83	81,400	1.127%
1,001 - 5,000	107	269,145	3.726%
5,001 - 10,000	31	243,840	3.376%
10,001 - 100,000	29	842,300	11.662%
100,000 - 5,000,000	4	5,786,172	80.109%
	254	7,222,857	100.00%

## Statutory & Shareholder Information

### Directors' Shareholdings and Dealings

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

	Notes	2002		2001	
		No. of Shares	No. of Options	No. of Shares	No. of Options
<b>J R Mowbray</b>					
Opening balance		3,993,315	115,000	-	-
Movements	1	142,857	-	3,993,315	115,000
Closing balance		4,136,172	115,000	3,993,315	115,000
<b>I J Halsted</b>					
Opening balance		100,000	115,000	-	-
Movements		-	-	100,000	115,000
Closing balance		100,000	115,000	100,000	115,000
<b>M C Radford</b>					
Opening balance		200,000	115,000	-	-
Movements		-	-	200,000	115,000
Closing balance		200,000	115,000	200,000	115,000

Note 1 The shares were issued at 58 cents per share on 17 July 2001 as consideration for the director's shares in Stanley Gibbons (Australia) Pty Limited.

### Directors' Remuneration

No directors' remuneration was paid to directors during the period. John Mowbray, as managing director, received a salary of \$125,000.

M. C. Radford received fees from the Company of \$25,000 for consulting and accounting services provided to the group in regard to the acquisition of subsidiaries and the Special Meeting of shareholders, of which \$15,000 had been accrued in the prior 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.

### Audit Fees & Other Services

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

	Group		Parent	
	Year ended 2002	Period ended 2001	Year ended 2002	Period ended 2001
	\$	\$	\$	\$
Audit fees	35,000	39,099	25,845	31,599
Other fees	44,280	-	17,435	-
Valuation fees paid for Key Transaction	-	23,759	-	23,759

## **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

### ***Advisors to the Board (on Australian Operations)***

Sir Ronald Brierley  
Alan Pitt

### ***Registered Office***

247-253 Main Highway  
Otaki

### ***Communication Addresses***

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

### ***Bankers***

The National Bank of New Zealand  
Waikanae

### ***Auditors***

Deloitte Touche Tohmatsu  
Wellington

### ***Solicitors***

Gilbert Swan  
Wellington

### ***Share Registrar***

BK Registries  
PO Box 384  
Ashburton