



# MOWBRAY COLLECTABLES GROUP ANNUAL REPORT 2011



## **SOOTHEBY'S AUSTRALIA DECORATIVE ARTS AUCTION APRIL 2011**

### **QING DYNASTY "HUNDRED BOYS" VASE REALISED A\$480,000 NZ\$640,000**



The highlight of the night was the passionate bidding over a Qing Dynasty 'Hundred Boys' vase, which flew by its high estimate of \$20,000 to sell for \$480,000 including buyer premium.

It follows recent results at Sotheby's New York that saw a Chinese vase achieve \$18 million, and a small auction house in England, where a vase with an estimate of £1.2m GBP sold for \$65m. "Recently, there have been increasing media reports of Chinese vases exceeding estimates in salerooms around the globe" noted Sotheby's Australia Chairman, Geoffrey Smith. "Australia was poised to participate, and last night at the Melbourne auction rooms of Sotheby's Australia, that moment arrived."

The successful telephone bidder for the Qing Dynasty vase was from Hong Kong and actively bid against local Australian bidders in the rooms and on telephones. The vendor received the vase as a gift from his father, who purchased it from a property house sale in Scotland many years ago.

"The auction room was electric with bidders on the vase" said Smith, "with strong bidding from local Australian buyer's competing against international phone bidders."

Another noteworthy sale, a Guan-Type Vase, with Xianfeng Mark, sold for \$96,000 IBP, to a bidder from mainland China. The beautifully carved vase was an unexpected find by Sotheby's Asian Art Specialist Ann Roberts, while doing an appraisal of lacquer ware in a Sydney client's home.

While the lacquer ware was of minimal value, it was the vase that was an amazing find. The owner agreed to consign it to Sotheby's, and is amazed at their good fortune.

The astounding decorative arts result comes the night after the Melbourne jewellery sale, which delivered a record result as the Melbourne jewellery auction to achieve sales of over \$1 million. The 231 lot sale made a total of \$1,433,016 or 70% by value and 70% by volume. It has been a very strong start to the year for Sotheby's Australia under its new ownership. "Back to back nights of fierce bidding and high prices clearly demonstrate that local and overseas buyers seeking rare items are very active in the Australian market," Smith said.

Mowbray Collectables own 20% of Sotheby's Australia

## ANNUAL REPORT & FINANCIAL STATEMENTS

The directors are pleased to present the Annual Report Financial Statements and Group Financial Statements of Mowbray Collectables Limited for the year ended 31 March 2011.



Murray Radford  
Director



John Mowbray  
Director

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### 1882 12/6D QUEEN VICTORIA POSTAL FISCAL

Used primarily for payment of stamp duties on legal documents. Only a few of these stamps exist in original unused (mint) condition and are catalogued by Stanley Gibbons at £9,000 (\$18,740). This stamp realised \$44,850 in the John Mowbray International sale held in October



# DIRECTORS' REPORT

The directors present to the shareholders the eleventh annual report of the Mowbray Collectables Ltd group. This report covers the activities of the group for the year ended 31 March 2011.

## FINANCIAL RESULTS

		Group	
	Notes	2011 \$	2010 \$
Operating revenue	1	2,930,522	2,978,022
<b>Surplus/(Deficit) before interest, taxation, depreciation, amortisation, discontinued operations and share of associates</b>		296,116	298,132
Depreciation	11	12,109	12,216
Amortisation	12	1,194	1,662
<b>Surplus/(Deficit) before interest, discontinued operations, share of associates and taxation</b>		282,813	284,254
Interest income	1	51,123	3,859
Interest expense		(51,775)	(48,039)
<b>Surplus/(Deficit) before discontinued operations, share of associates and taxation</b>		282,161	240,074
Adjustment on derecognition of associate		(360,000)	-
Share of associates' comprehensive income	15	58,303	51,468
<b>Surplus/(Deficit) before taxation</b>		(19,536)	291,542
Taxation (expense)/benefit	3	(44,316)	(31,520)
<b>Surplus/(Deficit) from continuing operations</b>		(63,852)	260,022
Deficit from discontinued operations	19	(17,598)	(423,956)
<b>Surplus/(Deficit) for the year</b>		(81,450)	(163,934)
<b>Other comprehensive income</b>			
Movement in foreign currency translation reserve	7	(65,348)	62,841
Share of associates other comprehensive income	15	-	(65,173)
<b>Total comprehensive income</b>		(146,799)	(166,266)
<b>Earning per share – continuing operations</b>			
Basic (loss) per share (cents)	20	(0.7)	(2.1)

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

## TRADING

### OVERVIEW

There was a significant improvement in the profit of our core business subsequent to the sale of our Australian subsidiary Mowbrays Australia. Following two years of difficult trading and losses, a successful sale of Mowbrays Australia was negotiated in the second quarter of 2010.

The operations and the structure of our Australian associate investments have changed considerably in the final quarter of the year. In December 2010, we supported a management buy-out of Sotheby's Australia by taking a 20% interest in the new company that trades as Sotheby's Australia.

### J R MOWBRAY (PHILATELIST)

The New Zealand core business of stamps and coin auctions traded well recording a modest growth for the year. The impact of the Canterbury earthquake was noticeable but auction levels have been maintained. The higher New Zealand dollar does not appear to have impacted our exports. Our attendance at the London Stamp Exhibition in May 2010 was a sales success that coincided with promotion of our 2010 Private Treaty Catalogue.

### JOHN MOWBRAY INTERNATIONAL

The 19th annual international stamp and coin auction was again very successful and established a new record for turnover. The highlights of this auction were the following were:

- A New Zealand 1882 12/6d Queen Victoria Postal Fiscal realised \$44,500
- Total sales were in excess of \$1.2m for the weekend. Interest in our 2011 auction to be held September 23-24 is strong with good consignments to hand.

### HOUSE OF STAMPS

An improved result for the year was achieved, exceeding our budget expectations. Product sales of the major agencies were maintained. Numismatic activity has continued in both monthly and international auctions, with good results. The directors have established a separate division to promote and grow the numismatic operations in 2011 under the management of Malcolm Turner. Arna Dal Din has been appointed to manage the traditional product lines of House of Stamps.

### WORLD WIDE FUND FOR NATURE STAMP PROGRAM (NZ)

The results achieved for the program in New Zealand were consistent with the previous year.

### WILDLIFE PHILATELIC COLLECTIONS PTY LTD

An excellent result for the WWF Stamp Program in Australia. This is a well-managed business and continues to produce excellent results through innovative marketing and a well-organised data base, managed by Andrew Pitt. The strength of the Australian dollar against the Swiss franc has helped profit margins in recent years.

### MOWBRAYS AUSTRALIA PTY LTD

The directors negotiated the sale of the business operations of Mowbrays Australia effective 1 July 2010. As expected, that sale has eliminated previous trading losses, and this has significantly improved the results from our Australian investments. The new owners have been operating under the Mowbrays Australia brand; this will be reviewed on 1 July 2011.

The directors have reduced the carrying value of the investment by \$ 332,857 to nil.



## PETER WEBB GALLERIES LTD (49% OWNED)

With seven specialist sales turning over \$3.6m in the month of March, Webb's financial year finished strongly. An excellent range of quality material was offered by each department over the month and a number of record prices were achieved. Overall the 2010/11 financial year saw a 15% increase on gross turnover against the previous year with all of Webb's specialist departments achieving significant success.

Following two very successful traditional sales, and the growing market for Oceania and Maori artefacts, combined with the growth of wine and motorbike auctions, the diversification of business activities is ensuring Webb's status as New Zealand's premier auction house.

## FIRST EAST AUCTION HOLDINGS PTY LTD (19.08% OWNED)

In the interim report last year, the directors expressed concern with the debt level of Australian auction holding company First East Auction Holdings (FEAHL), and its carrying value.

While the vision to buy both Sotheby's Australia and Leonard Joel was sound, the execution was poor and as a minority shareholder we were unable to resolve this. In 2009, FEAHL acquired Sotheby's Australia. However, the desired return was not achieved because of high financing costs, high establishment and restructuring costs, lower than expected cost savings, and non-achievement of budgeted revenue. A significant downturn in the market was a major factor and came at the worst possible time.

This all culminated in the sale of the Sotheby's business to a consortium of management and private investors. Mowbray is a 20% shareholder in that consortium. The new business trades as Sotheby's Australia.

The principal remaining asset in FEAHL is its 66% shareholding in Leonard Joel Pty Ltd, a Melbourne auction house that continues to trade profitably. We are aware of a proposal, in which Mowbray is not involved, that could result in FEAHL selling its shareholding in Leonard Joel at a significant surplus to its carrying value. As the 33% shareholder of Leonard Joel has a pre-emptive right, the final outcome has yet to be determined. Should this proposal settle FEAHL will be debt free but the remaining assets will take time to be collected.

Given the reduction in shareholding of FEAHL in the current financial year it has ceased to be treated as an associate accounted for on an equity basis.

As required by financial reporting standards, on ceasing to recognise the investment as an associate due to the loss of significant influence, the directors have written down the carrying value of the investment in FEAHL to fair value. This has given rise to a derecognition adjustment of \$360,000.

## SOTHEBY'S AUSTRALIA

The "new" Sotheby's business has traded ahead of forecast since its establishment on 1 January 2011. The first five months trading have been very profitable and well ahead of budget. In April Sotheby's Australia recorded successful jewellery and decorative art auctions. The May auction of Important Australian Art was well attended and achieved a \$5.9million including buyers premium. We are very pleased with the results achieved to date.

The directors have elected to treat the new investment in Sotheby's as an investment rather than an associate for the reasons outlined in notes 14 to the financial statements.

## STAFF

The dedication and energy of staff has been exceptional over a period of considerable volatility and uncertainty in all markets. The directors have appreciated their total commitment over the past year.

## CORPORATE GOVERNANCE

The Board of Directors of Mowbray Collectables Ltd is elected by shareholders to represent all of the company's shareholders. It is the Board's responsibility to establish the strategic direction and objectives of Mowbray Collectables Ltd and to supervise and direct the management of the business and affairs of the company. The Board currently comprises two executive directors John Mowbray and David Heather, and two non-executive directors, Murray Radford and Ian Halsted. The Board has determined that the non-executive directors are Independent Directors as defined in the NZX Listing Rules.

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

The Board has adopted a Corporate Governance Code and has constituted an Audit, Nominations and Remuneration Committee of the non-executive directors.

At each annual meeting one director, by rotation, must retire. This year Murray Radford retires and offers himself for re-election. During the year all directors attended each director's meeting. The share holdings and dealings of the directors are detailed on page 37.

## OUTLOOK

The past year has been one of restructuring our investments in associate and subsidiary companies in Australia and that continues in 2011. Once again the core businesses have traded extremely profitably and we are forecasting continued growth in sales for the current financial year. We anticipate positive contributions from our associate Peter Webb Galleries Ltd and our investment in Sotheby's Australia Pty Ltd, to give our shareholders the results they deserve.



Murray Radford  
Chairman



John Mowbray  
Managing Director

28 June 2011



John Mowbray, Managing Director

## MOWBRAY COLLECTABLES LIMITED

Consolidated Statement of Comprehensive Income  
for the year ended 31 March 2011

	Notes	CONSOLIDATED		PARENT	
		Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2011	Year Ended 31 March 2010
		\$	\$	\$	\$
Operating revenue	1	2,930,522	2,978,022	40,704	61,684
Changes in inventory		(103,931)	(87,930)	-	-
Purchases		(599,709)	(745,245)	-	-
Employee benefits and expense		(774,835)	(740,803)	(278,454)	(286,777)
Office consumables		(209,201)	(233,525)	(6,322)	(7,432)
Promotional expenses		(90,820)	(66,831)	(5,753)	(10,574)
Impairment expense		-	-	(332,857)	(330,000)
Other expenses	2	(855,910)	(805,556)	(256,326)	(252,508)
<b>Surplus/(Deficit) before interest, taxation, depreciation, amortisation, discontinued operations and share of associates</b>		<u>296,116</u>	<u>298,132</u>	<u>(839,008)</u>	<u>(825,607)</u>
Depreciation	11	12,109	12,216	-	-
Amortisation	12	1,194	1,662	-	-
<b>Surplus/(Deficit) before interest, discontinued operations, share of associates and taxation</b>		282,813	284,254	(839,008)	(825,607)
Interest income	1	51,123	3,859	233,195	196,077
Interest expense		(51,775)	(48,039)	(49,788)	(33,451)
<b>Surplus/(Deficit) before discontinued operations, share of associates and taxation</b>		282,161	240,074	(655,601)	(662,981)
Adjustment on derecognition of associates		(360,000)	-	-	-
Share of associates' comprehensive income	15	<u>58,303</u>	<u>51,468</u>	<u>58,303</u>	<u>84,065</u>
<b>Surplus/(Deficit) before taxation</b>		(19,536)	291,542	(597,298)	(578,916)
Taxation (expense)/benefit	3	<u>(44,316)</u>	<u>(31,520)</u>	<u>(1,345)</u>	<u>32,092</u>
<b>Surplus/(Deficit) from continuing operations</b>		<u>(63,852)</u>	<u>260,022</u>	<u>(598,643)</u>	<u>(546,824)</u>
Deficit from discontinued operations	19	(17,598)	(423,956)	-	-
<b>Surplus/(Deficit) for the year</b>		<u>(81,450)</u>	<u>(163,934)</u>	<u>(598,643)</u>	<u>(546,824)</u>
<b>Other comprehensive income</b>					
Movement in foreign currency translation reserve	7	(65,349)	62,841	-	-
Share of associates other comprehensive income	15	-	(65,173)	-	(5,630)
<b>Total comprehensive income</b>		<u>(146,799)</u>	<u>(166,266)</u>	<u>(598,643)</u>	<u>(552,454)</u>
<b>Earnings per share - continuing operations</b>					
Basic (loss) per share (cents)	20	(0.7)	(2.1)		

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



**MOWBRAY COLLECTABLES LIMITED****Statement of Changes in Equity**  
for the year ended 31 March 2011

CONSOLIDATED				
	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Notes	\$	\$	\$	\$
<b>Balance at 1 April 2009</b>	5,582,099	23,932	(1,421,307)	4,184,724
<b>Comprehensive income</b>				
Net (deficit) after taxation	-	-	(163,934)	(163,934)
<b>Other comprehensive income</b>				
Movement in foreign currency translation reserve	-	62,841	-	62,841
Share of associates other comprehensive income	-	-	(65,173)	(65,173)
<b>Total comprehensive income</b>	-	62,841	(229,107)	(166,266)
<b>Transactions with owners</b>				
Issue of share capital	270,710	-	-	270,710
<b>Total transactions with owners</b>	270,710	-	-	270,710
<b>Balance at 31 March 2010</b>	5,852,809	86,773	(1,650,414)	4,289,168
<b>Comprehensive income</b>				
Net (deficit) after taxation	-	-	(81,451)	(81,451)
<b>Other comprehensive income</b>				
Movement in foreign currency translation reserve	-	(65,348)	-	(65,348)
Share of associates other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	(65,348)	(81,451)	(146,799)
<b>Transactions with owners</b>				
Dividends paid	-	-	(172,728)	(172,728)
<b>Total transactions with owners</b>	-	-	(172,728)	(172,728)
<b>Balance at 31 March 2011</b>	5,852,809	21,425	(1,904,593)	3,969,641

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

## MOWBRAY COLLECTABLES LIMITED

### Statement of Changes in Equity for the year ended 31 March 2011

	PARENT			
<b>Balance at 1 April 2009</b>	5,582,099	-	(2,558,941)	3,023,158
<b>Comprehensive income</b>				
Net (deficit) after taxation	-	-	(546,824)	(546,824)
<b>Other comprehensive income</b>				
Share of associates other comprehensive income	-	-	(5,630)	(5,630)
<b>Total comprehensive income</b>	-	-	(552,454)	(552,454)
<b>Transactions with owners</b>				
Issue of share capital	270,710	-	-	270,710
<b>Total transactions with owners</b>	270,710	-	-	270,170
<b>Balance at 31 March 2010</b>	5,852,809	-	(3,111,395)	2,741,414

	PARENT			
	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Notes	\$	\$	\$	\$
<b>Comprehensive income</b>				
Net (deficit) after taxation	-	-	(598,643)	(598,643)
<b>Other comprehensive income</b>				
Share of associates other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>				
<b>Transactions with owners</b>				
Dividends paid	-	-	(172,728)	(172,728)
<b>Total transactions with owners</b>	-	-	(172,728)	(172,728)
<b>Balance at 31 March 2011</b>	5,852,809	-	(3,882,766)	1,970,043

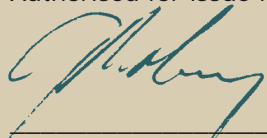
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**MOWBRAY COLLECTABLES LIMITED****Balance Sheet**

as at 31 March 2011

		CONSOLIDATED		PARENT	
		Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
	Notes				
EQUITY					
Share capital	5	5,852,809	5,852,809	5,852,809	5,852,809
Accumulated (deficit)	6	(1,904,593)	(1,650,414)	(3,882,766)	(3,111,395)
Foreign currency translation reserve	7	21,425	86,773	-	-
Total Equity		3,969,641	4,289,168	1,970,043	2,741,414
Represented by:					
CURRENT ASSETS					
Receivables & prepayments		129,115	634,409	10,828	3,980
Inventory	8	1,603,576	1,709,865	-	-
Total Current Assets		1,732,691	2,344,274	10,828	3,980
CURRENT LIABILITIES					
Cash & cash equivalents		32,406	(46,399)	89,711	95,547
Trade creditors		226,397	1,103,584	20,786	11,093
Other payables & accruals	9	498,391	411,413	202,127	214,246
Taxation payable	3	55,164	48,701	(1,795)	(1,408)
Current portion of loan	10	281,130	148,325	281,130	79,568
Total Current Liabilities		1,093,488	1,665,624	591,959	399,049
WORKING CAPITAL		639,203	678,650	(581,131)	(395,066)
NON-CURRENT ASSETS					
Deferred tax	3	258,161	302,964	54,650	55,995
Property plant & equipment	11	47,434	83,474	-	-
Intangible assets	12	1,293	2,487	-	-
Goodwill	13	696,472	696,472	-	-
Investment	14	1,260,081	13,041	-	-
Investment in associates	15	1,339,541	2,360,131	1,339,542	1,322,472
Investment in subsidiaries	17	-	-	2,100,000	2,432,857
Related party receivables	18	33,826	129,953	(636,647)	(696,840)
Other receivables		42,524	25,975	42,524	25,975
Total Non-Current Assets		3,679,332	3,614,497	2,900,068	3,140,459
NON-CURRENT LIABILITIES					
Non-current portion of loan	10	348,894	3,979	448,894	3,979
Total Non-Current Liabilities		348,894	3,979	448,894	3,979
NET ASSETS		3,969,641	4,289,168	1,970,043	2,741,414

Authorised for issue for and on behalf of Board of Directors



J R Mowbray - Managing Director



M C Radford - Chairman

28 June 2011

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

## MOWBRAY COLLECTABLES LIMITED

## Cash Flow Statement

for the year ended 31 March 2011

		CONSOLIDATED		PARENT	
	Notes	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided from (applied to)</b>					
Receipts from customers		2,778,929	2,947,987	(6,919)	2,092
Interest received		123	3,859	74	2,569
Other revenue		63,879	52,113	-	1,641
Dividends received		-	16,283	-	14,123
Payments to suppliers		(1,831,886)	(1,752,416)	(270,827)	(232,105)
Payments to employees		(774,835)	(740,803)	(278,454)	(286,777)
Interest paid		(51,775)	(48,039)	(49,788)	(33,451)
Taxation paid		<u>(70,202)</u>	<u>37,493</u>	<u>(387)</u>	<u>619</u>
<b>Net cash flow from operating activities</b>	23	114,233	516,477	(606,301)	(531,289)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was provided from (applied to)</b>					
Sale of investments		13,041	-	-	-
Purchase of investments		(531,320)	-	-	-
<b>Net cash flows from investing activities</b>		(518,279)	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided from (applied to)</b>					
Shares Issued		-	270,710	-	270,710
Dividend (received)		41,234	-	41,234	-
Dividend (paid)		(172,728)	-	(172,728)	-
Loans received/(repaid)		<u>477,720</u>	<u>(738,259)</u>	<u>743,631</u>	<u>256,679</u>
<b>Net cash flow from financing activities</b>		<u>346,226</u>	<u>(467,549)</u>	<u>612,137</u>	<u>527,389</u>
<b>Net increase/(decrease) in cash held</b>		(57,820)	48,928	5,836	(3,900)
<b>Cashflows from discontinued activites</b>		(23,613)	32,239	-	-
<b>Cash &amp; cash equivalents at beginning of year</b>		46,399	(34,768)	(95,547)	(91,647)
<b>Effect of exchange rate change on cash &amp; cash equivalents</b>		<u>2,628</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash &amp; cash equivalents at end of year</b>		<u>(32,406)</u>	<u>46,399</u>	<u>(89,711)</u>	<u>(95,547)</u>
<b>Comprising:</b>					
Cash at bank - New Zealand		(65,512)	(9,868)	(89,711)	(95,547)
- Australia		<u>33,106</u>	<u>56,267</u>	<u>-</u>	<u>-</u>
		(32,406)	46,399	(89,711)	(95,547)

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



## MOWBRAY COLLECTABLES LIMITED

### Statement of Accounting Policies

for the year ended 31 March 2011

#### STATEMENT OF COMPLIANCE

The Company is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is incorporated and domiciled in New Zealand

The Financial Statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993 and Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable reporting standards as appropriate for profit-oriented entities.

Compliance with NZ IFRS ensures the consolidated financial statements comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements also comply with IFRS.

#### NEW STANDARDS AND INTERPRETATIONS

***Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.***

*NZ IAS 24 – Related party disclosures* simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. NZ IAS 24 is effective for accounting periods beginning 1 July 2011. The revision is not expected to have a material impact on the Group.

*NZ IFRS 9 – Financial instruments* specifies how an entity should classify and measure financial assets, including some hybrid contracts. NZ IFRS 9 is intended to replace NZ IAS 39. NZ IFRS 9 is effective for accounting periods beginning 1 January 2013. The standard is not expected to have an impact on the Group.

*NZ IFRIC 19 – Extinguishing financial liabilities with equity instruments* covers accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. NZ IFRIC 19 is effective for accounting periods beginning 1 July 2010. The interpretation is not expected to have an impact on the Group.

#### REPORTING ENTITY & PERIOD

For the results for the year ended 31 March 2011 the Mowbray Collectables Limited Group comprises the following entities:

- Mowbray Collectables Limited (Parent)
- Mowbray Bethunes Limited
- World Wide Fund for Nature Stamp Program (New Zealand Agency)
- Auction Investments Limited
- Auction Investments SA Limited
- Mowbrays Australia Pty Limited
- Wildlife Philatelic Collections Pty Limited

#### BASIS OF 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.

#### CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the application of NZ IFRS Mowbray Collectables Limited is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period. If the revision affects current and future periods, it is reflected in those periods.



## MOWBRAY COLLECTABLES LIMITED

### Statement of Accounting Policies

for the year ended 31 March 2011

#### KEY SOURCES OF ESTIMATION UNCERTAINTY

Any judgements made by Mowbray Collectables Limited in application of NZ IFRS that are considered to have significant effects on the financial statements and estimates with a significant risk of material adjustment in the year are disclosed, when applicable, in the relevant notes to the financial statements.

#### Fair Value of investment in First East Auction Holdings Pty Ltd.

The investment in First East Auction Holdings Pty Limited has been commented on in the Director's report. The fair value of the investment has been reviewed by the directors, on derecognition of the associate and have written down the carrying value by \$360,000.

Among the reasons for the write down were:

- With the potential sale of the shareholding in Leonard Joel Pty Ltd still to become unconditional there is still uncertainty surrounding the final sale value, and various adjustments that may occur in relation to the sale.
- There remains uncertainty concerning the finalisation of sale proceeds following the sale of Sotheby's Australia and Bay East Pty Ltd, and the outcome of agreement and settlement of (FEAHL) related party balances.

#### SPECIFIC ACCOUNTING POLICIES

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

##### (a) Comparative Amounts

Comparative information has been restated in respect of discontinued operations in accordance with NZIFRS5: Non-current assets held for sale and discontinued operations.

##### (b) Translation of Financial Statements of Foreign Operations

The consolidated financial statements are presented in New Zealand dollars, which is the company's functional and presentation currency.

Assets and liabilities of independent foreign operations are translated at the closing rate. Revenue and expense items are translated half yearly using the half yearly average exchange rate, 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.

##### (c) Consolidation of Subsidiaries

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being Mowbray Collectables (the Company) and its subsidiaries as defined in NZ IAS-27: *Consolidated and Separate Financial Statements*. A list of subsidiaries is above. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to the income statement in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such subsidiary.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full.

**MOWBRAY COLLECTABLES LIMITED****Statement of Accounting Policies**

for the year ended 31 March 2011

**(d) Revenue Recognition***Sale of Goods*

Income from the sale of goods is recognised when the company and group has transferred to the buyer the significant risk and rewards of ownership of the goods.

*Dividend Revenue*

Dividend revenue from investments is recognised when the shareholders' rights to receive the payments have been established.

*Interest Revenue*

Interest revenue is recognised in the income statement when it is received and accrued.

*Commission Income*

Commission Income is recorded at the completion of an auction when Mowbray Collectables has completed the transaction and the buyer and seller have ownership and payment of the goods.

**(e) Depreciation**

Depreciation has been calculated using the following rates:

Leasehold improvements	6% - 48% DV
Plant and equipment	10% - 80% DV
Furniture & fittings	12% - 40% DV
Computer equipment	40% - 60% DV

Rates applied to existing assets have been applied consistently over the life of the assets.

Depreciation is calculated on a diminishing value basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

**(f) Taxation***Current Tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

*Deferred Tax*

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and associates except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these

**MOWBRAY COLLECTABLES LIMITED****Statement of Accounting Policies**

for the year ended 31 March 2011

investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**(g) Equity Accounting of Associate Entities**

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

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

**(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 Balance Sheet. Foreign Currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

**(i) Financial Instruments**

Mowbray Collectables is party to financial instruments in the form of cash and cash equivalents, accounts receivable and prepayments, accounts payable and loans as part of its operations. Cash and cash equivalents are held as financial assets at amortised cost. Accounts receivable and prepayments are held as loans and receivables and are recorded at fair value less any provisions for doubtful debts. Accounts payable and loans are held as financial liabilities at amortised cost. The carrying amounts are as disclosed in the Balance Sheet and all revenue and expenses in relation to the financial instruments are recognised in the statement of comprehensive income.

There are no financial assets past due but not impaired at balance date.

**(j) Inventory**

Catalogue inventory is valued at 30% of the net realisable value, all other inventory is valued at cost. Cost is the acquisition cost for each item of inventory purchased.

**(k) Property, Plant & Equipment**

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

Property, Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributed to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.



**MOWBRAY COLLECTABLES LIMITED****Statement of Accounting Policies**

for the year ended 31 March 2011

**(l) Intangible Assets**

Intangible assets comprise software applications which have a finite useful life and are recorded at cost less accumulated amortisation and impairment. The following rate has been applied consistently over the life of the asset.

Software	48% - 60% DV
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**(m) Goodwill**

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

**(n) Impairment of Assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Any impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses other than for goodwill, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(o) 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.

**(p) Payables**

Trade payables and other accounts payable are recognised when the company and group becomes obliged to make future payments resulting from the purchase of goods and services.

**(q) Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.



**MOWBRAY COLLECTABLES LIMITED****Statement of Accounting Policies**

for the year ended 31 March 2011

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company and group in respect of services provided by employees up to reporting date.

**(r) Loans**

Loans are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

**(s) Leased Assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(t) Statement of Cash Flows**

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

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

"*Cash & Cash Equivalents*" 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.

**(u) Investments**

Investments are valued at historical cost which for derecognised associates is equivalent to fair value at the date of derecognition. Impairments in the value of investments are written off to earnings as they arise.

**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011	Year Ended 31 March 2010 \$	Year Ended 31 March 2011	Year Ended 31 March 2010 \$
<b>1. Total Revenue</b>				
Turnover	2,556,977	2,594,715	-	-
Auction commission	309,666	314,911	-	-
Management fees from subsidiaries	8,504	15,124	40,704	47,524
Dividend received	-	16,283	-	14,123
Sundry revenue	55,375	36,989	-	37
Operating revenue	2,930,522	2,978,022	40,704	61,684
Interest income	51,123	3,859	233,195	196,077
	2,981,645	2,981,881	273,899	257,761

**2. Other Expenses**

Included in Other Expenses are the following expenses:

Audit fees	70,275	55,284	70,275	55,284
Bad debts	3,408	6,835	-	-
Directors' fees	42,039	38,376	42,039	38,376
Legal fees	5,622	350	5,250	350
Operating lease rental expenses	133,611	132,337	-	-
Donations made	-	251	-	-
Sundry	600,955	572,083	138,762	158,498

**3. Taxation**(a) *Taxation recognised in the income statement***Taxation (expense)/income comprises**

Current tax (expense)/income	(45,904)	(63,650)	-	-
Deferred (tax)/income relating to the origination and reversal of temporary differences	(54,195)	154,805	(1,345)	32,092
Total tax (expense)/income	(100,099)	91,155	(1,345)	32,092
Continuing operations	(44,316)	(31,520)	(1,345)	32,092
Discontinued operations	(55,783)	122,675	-	-
Total tax (expense)/income	(100,099)	91,155	(1,345)	32,092
(Loss) from continuing operations	(372,511)	(306,557)	(281,510)	(662,981)
Taxation refund/(expense) calculated at 30% (2010: 30%)	111,753	91,967	84,453	198,894
Foreign Exchange Movement	-	-	-	-
Prior period adjustment	-	-	-	-
Tax effect of change in tax rate (2012: 28%)	(4,229)	-	(3,904)	-
Non-deductible expenses	12,604	(812)	11,080	(99,000)
Group loss offsets	-	-	(92,974)	(67,802)
Total tax (expense)/income	(100,099)	91,155	(1,345)	32,092

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

## MOWBRAY COLLECTABLES LIMITED

### Notes to the Financial Statements for the year ended 31 March 2011

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
(b) <i>Current tax assets and liabilities</i>				
<b>Current tax liability / (assets):</b>				
Tax refund payable / (receivable)	55,164	48,701	(1,795)	(1,408)

#### (c) *Deferred tax balances*

##### Deferred tax asset comprise:

Temporary differences	258,161	302,964	54,650	55,995
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Taxable and deductible temporary differences arise from the following:

	CONSOLIDATED 2011			
	Opening balance	Charged to income	Exchange differences	Closing balance
<b>Gross deferred tax assets:</b>				
Employee entitlements	945,879	(169,547)	31,301	807,633
Other expenses	64,001	2,999	-	67,000
	1,009,880	(166,548)	31,301	874,633

	CONSOLIDATED 2010			
	Opening balance	Charged to income	Exchange differences	Closing balance
<b>Gross deferred tax assets:</b>				
Employee entitlements	458,966	452,014	34,899	945,879
Other expenses	-	64,001	-	64,001
	458,966	516,015	34,899	1,009,880

	PARENT 2011			
	Opening balance	Charged to income	Exchange differences	Closing balance
<b>Gross deferred tax assets:</b>				
Employee entitlements	122,649	5,560	-	128,209
Other expenses	64,001	2,999	-	67,000
	186,650	8,559	-	195,209

	PARENT 2010			
	Opening balance	Charged to income	Exchange differences	Closing balance
<b>Gross deferred tax assets:</b>				
Employee entitlements	79,681	42,968	-	122,649
Other expenses	-	64,001	-	64,001
	79,681	106,969	-	186,650



**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011*(d) Imputation credit account balances*

	<b>CONSOLIDATED</b>		<b>PARENT</b>	
	<b>Year Ended 31 March 2011</b>	<b>Year Ended 31 March 2010</b>	<b>Year Ended 31 March 2011</b>	<b>Year Ended 31 March 2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	100,149	133,394	84,083	84,702
Imputation credits attached to dividends received	17,672	967	17,672	-
Other credits	-	-	-	-
Imputation credits attached to dividends paid	(71,714)	-	(71,714)	-
Taxation paid	46,348	25,706	1,795	1,407
Taxation refunded	(792)	(59,918)	(792)	(2,026)
Other debits	(216)	-	(184)	-
Balance at end of the year	<u>91,447</u>	<u>100,149</u>	<u>30,860</u>	<u>84,083</u>

**4. Remuneration of Auditors***Auditor of the parent entity*

Audit of the financial statements  
Other non-audit services

	<b>70,275</b>	<b>55,284</b>	<b>70,275</b>	<b>55,284</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>70,275</u>	<u>55,284</u>	<u>70,275</u>	<u>55,284</u>

The auditor of Mowbray Collectables is PKF Martin Jarvie.

**5. Share Capital**

	<b>CONSOLIDATED &amp; PARENT</b>			
	<b>Year Ended 31 March 2011</b>		<b>Year Ended 31 March 2010</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
<b>Ordinary Shares –Authorised, issued and fully paid</b>				
Balance at beginning of year	11,155,523	5,852,809	10,855,523	5,582,099
Issue of shares	-	-	300,000	270,710
Share capital at end of year	<u>11,155,523</u>	<u>5,852,809</u>	<u>11,155,523</u>	<u>5,852,809</u>

All shares are fully paid and have equal voting rights. All shares participate equally in any dividend distribution or any surplus on the winding up of the Company. The shares have no par value.

**6. Accumulated Surplus/(Deficit)**

	<b>CONSOLIDATED</b>		<b>PARENT</b>	
	<b>Year Ended 31 March 2011</b>	<b>Year Ended 31 March 2010</b>	<b>Year Ended 31 March 2011</b>	<b>Year Ended 31 March 2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of year	(1,650,414)	(1,421,307)	(3,111,395)	(2,558,941)
Dividend paid to shareholders	(172,728)	-	(172,728)	-
Surplus/(deficit) for period after taxation	<u>(81,451)</u>	<u>(229,107)</u>	<u>(598,643)</u>	<u>(552,454)</u>
Accumulated surplus/(deficit) at end of year	<u>(1,904,593)</u>	<u>(1,650,414)</u>	<u>(3,882,766)</u>	<u>(3,111,395)</u>

**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011**7. Foreign Currency Translation Reserve**

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2011	Year Ended 31 March 2010
	\$	\$	\$	\$
Balance at beginning of year	86,773	23,932	-	-
Effect of exchange rate change on foreign currency balance	(65,348)	51,887	-	-
Arising on translation of independent foreign operations	-	10,954	-	-
Balance at end of year	21,425	86,773	-	-

**8. Inventory**

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2011	Year Ended 31 March 2010
	\$	\$	\$	\$
Auction inventory	1,408,630	1,441,946	-	-
WWF Chapters on hand	194,946	267,919	-	-
Total Inventory	1,603,576	1,709,865	-	-

**9. Other Payables and Accruals**

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2011	Year Ended 31 March 2010
	\$	\$	\$	\$
Other payables and accruals	344,180	129,149	55,166	71,063
Employee entitlements	154,211	282,264	146,961	143,183
Total other payables and accruals	498,391	411,413	202,127	214,246

**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011**10. Loans**

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
Total loans owing:				
J.R. Mowbray	80,000	30,000	80,000	30,000
Loan from National Bank	550,024	122,304	550,024	53,547
	<u>630,024</u>	<u>152,304</u>	<u>630,024</u>	<u>83,547</u>
Repayable as follows:				
J.R. Mowbray	80,000	30,000	80,000	30,000
National Bank - 1002	-	68,757	-	-
National Bank - 1003	-	49,568	-	49,568
National Bank - 1004	100,000	-	100,000	-
National Bank - 1005	101,130	-	101,130	-
Current	<u>281,130</u>	<u>148,325</u>	<u>281,130</u>	<u>79,568</u>
National Bank - 1003	-	3,979	-	3,979
National Bank - 1005	348,894	-	348,894	-
Non current	<u>348,894</u>	<u>3,979</u>	<u>348,894</u>	<u>3,979</u>
Total	<u>630,024</u>	<u>152,304</u>	<u>630,024</u>	<u>83,547</u>

## J.R Mowbray

Repayment: \$10,000 per month

Interest Rate: 1% per month

## National Bank - 1005

Repayment: \$11,536 per month

Interest Rate: 8.29%

Security: First Priority General Security

Agreement over all assets of Mowbray Collectables Limited

## National Bank - 1004

Repayment: December 2011

Interest Rate: 8.05% per annum

Security: First Priority General Security

Agreement over all assets of Mowbray Collectables Limited

## MOWBRAY COLLECTABLES LIMITED

### Notes to the Financial Statements for the year ended 31 March 2011

#### 11. Property, Plant & Equipment

	CONSOLIDATED				
	Leasehold improvement \$	Office furniture and equipment \$	Plant and equipment \$	Computer equipment \$	Total \$
<b>Gross carrying amount</b>					
Balance at 1 April 2009	63,800	153,729	188,352	38,982	444,863
Additions	-	1,879	(7,496)	-	(5,617)
Balance at 31 March 2010	63,800	155,608	180,856	38,982	439,246
Additions	3,356	994	-	6,175	10,525
Disposals	-	(125,062)	(108,584)	-	(233,647)
Balance at 31 March 2011	67,156	31,540	72,272	45,157	216,124
<b>Accumulated depreciation and impairment</b>					
Balance at 1 April 2009	37,454	117,697	156,202	34,398	345,733
Depreciation expense	4,954	3,978	8,202	2,258	19,392
Foreign currency exchange difference	-	(1,872)	(1,209)	-	(3,081)
Loss on sale of fixed assets	-	-	(6,272)	-	(6,272)
Balance at 31 March 2010	42,408	119,803	156,923	36,656	355,790
Depreciation expense	3,813	2,167	3,178	2,951	12,109
Foreign currency exchange difference	-	19	25	-	44
Disposals	-	(95,966)	(100,079)	-	(196,044)
Loss on sale of fixed assets	-	(1,389)	(1,819)	-	(3,208)
Balance at 31 March 2011	46,221	24,635	58,228	39,607	168,690
<b>Net book value</b>					
As at 31 March 2010	21,392	35,823	23,933	2,326	83,474
As at 31 March 2011	20,935	6,905	14,044	5,550	47,434

	PARENT	
	Computer equipment \$	Total \$
<b>Gross carrying amount</b>		
Balance at 1 April 2009	5,533	5,533
Additions	-	-
Balance at 31 March 2010	5,533	5,533
Additions	-	-
Balance at 31 March 2011	-	-
<b>Accumulated depreciation and impairment</b>		
Balance at 1 April 2009	5,533	5,533
Depreciation expense	-	-
Loss on sale of fixed assets	-	-
Balance at 31 March 2010	5,533	5,533
Depreciation expense	-	-
Loss on sale of fixed assets	-	-
Balance at 31 March 2011	-	-
<b>Net book value</b>		
As at 31 March 2010	-	-
As at 31 March 2011	-	-



**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011**12. Intangible Assets***Software*

	CONSOLIDATED	PARENT
	\$	\$
<b>Gross carrying amount</b>		
Balance at 1 April 2009	31,163	-
Additions	2,750	-
Balance at 31 March 2010	33,913	-
Additions	-	-
Balance at 31 March 2011	33,913	-
<b>Accumulated amortisation and impairment</b>		
Balance at 1 April 2009	29,764	-
Amortisation	1,662	-
Balance at 31 March 2010	31,426	-
Amortisation	1,194	-
Balance at 31 March 2011	32,620	-
<b>Net book value</b>		
As at 31 March 2010	2,487	-
As at 31 March 2011	1,293	-

**13. Goodwill**

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
<b>Gross carrying amount</b>				
Balance at beginning of year	696,472	696,472	-	-
Balance at end of year	696,472	696,472	-	-
<b>Accumulated impairment losses</b>				
Balance at beginning of year	-	-	-	-
Impairment losses for the year	-	-	-	-
Balance at end of year	-	-	-	-
<b>Net book value</b>				
At the beginning of the year	696,472	696,472	-	-
At the end of the year	696,472	696,472	-	-

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing purposes to 5 individual cash generating units as follows:

*Individual cash-generating units:*

- J R Mowbray Philatelist
- John Mowbray International
- House of Stamps
- Wildlife Philatelic Collections Pty Limited
- World Wide Fund for Nature Stamp Program

## MOWBRAY COLLECTABLES LIMITED

### Notes to the Financial Statements

for the year ended 31 March 2011

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

	CONSOLIDATED	
	Year Ended 31 March 2011	Year Ended 31 March 2010
	\$	\$
J R Mowbray Philatelist	240,393	240,393
John Mowbray International	61,429	61,429
House of Stamps	63,550	63,550
Wildlife Philatelic Collections Pty Limited	314,070	314,070
World Wide Fund for Nature Stamp Program	17,030	17,030
	<u>696,472</u>	<u>696,472</u>

### Description of cash generating unit and assumptions used to assess impairment.

#### *J R Mowbray Philatelist*

This division is the main income generating unit of the New Zealand divisions and has demonstrated consistent and significant profits since the company was floated in 2000. The sales trends over the past three years have been at approximately 7% per annum and the sales mix of both international and New Zealand market has been maintained. The influence of international currency fluctuations has been insignificant. The recoverable amount has been determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five year period and discount rate of 13%.

#### *John Mowbray International*

This division is linked in its performance with the operations of J R Mowbray Philatelist. The sales trends have been consistently good over a number of years and this has continued in 2010. The division does not purchase inventory and requires very little in the way of tangible fixed assets to operate. The recoverable amount has been determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five year period and discount rate of 12%.

#### *House of Stamps*

This division is also linked in its performance with J R Mowbray Philatelist, but with a different range of products and services. The staff also have to participate in the international auction activities. We have allocated an additional 0.5% to the WACC to allow for size factors. The recoverable amount has been determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five year period and discount rate of 12.5%.

#### *Wildlife Philatelic Collections Pty Limited*

This is a standalone business operation based in Australia which has developed and maintained a consistent earnings record over a number of years. Although it is a single product operation it does have sole rights to the sale and distribution of WWF stamps within Australia. Recent marketing initiatives utilising selected television media have resulted in additional sales and hopefully long term repeat customers. The recoverable amount has been determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five year period and discount rate of 12.0%.

#### *World Wide Fund for Nature Stamp Program*

The WWF stamp operation in New Zealand is significantly smaller than Australia. In recent years there have been no significant marketing initiatives. It is planned to introduce some of the marketing ideas used in Australia to stimulate sales activity within the New Zealand market. Although the division is self sufficient in product inventory, it does have the flexibility and strength in the alliance with WPC Australia. The recoverable amount has been determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five year period and discount rate of 13%.

Cash flows beyond March 2016 have been extrapolated using a steady growth rate of 3% for all cash generating units.

**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011**14. Investments**

Name of Company	CONSOLIDATED	
	Carrying Amount	
	2011 \$	2010 \$
First East Auction Holdings Pty Limited	728,659	-
ACN 147 723 475 Pty Limited	531,420	-
Turners Auction Investments Limited	-	13,041
	<u>1,260,079</u>	<u>13,041</u>

The reporting date of First East Auction Holdings Pty Ltd is 31 December. First East Auction Holdings Pty Ltd is incorporated in Australia and owns 66% of the Melbourne auction house Leonard Joel Pty Ltd.

The directors have elected to treat the investment in First East Auction Holdings Pty Ltd as an investment rather than an associate. The reduction in shareholding to 19.08% has meant Mowbray Collectables Ltd does not have significant influence over the company.

The reporting date of ACN 147 723 475 Pty Ltd is 31 December. ACN 147 723 475 Pty Ltd is incorporated in Australia and trades as Sotheby's Australia and Bay East.

The directors have elected to treat the 20% investment in Sotheby's Australia as an investment rather than an associate. The directors are of the opinion that Mowbray Collectables Ltd does not have significant influence despite the 20% shareholding they own in the company. The company is represented as one of five directors of the company, and while there will be participation in policy and other decisions that does not constitute significant influence. The company will have no material transactions with the company, and there will be no exchange of managerial personnel or the provision of technical information.

The investment in Turners Auction Investments Limited was sold during the year.

**15. Investments in Associates**

Name of Company	Principal Activities	CONSOLIDATED		CONSOLIDATED	
		Ownership and Voting Interest		Carrying Amount	
		2011 %	2010 %	2011 \$	2010 \$
Peter Webb Galleries Limited	NZ auctioneer	49.0	49.0	1,339,541	1,322,472
First East Auction Holdings Pty Limited	Australian auctioneer	19.08	20.0	-	1,037,659
				<u>1,339,541</u>	<u>2,360,131</u>

The reporting date of Peter Webb Galleries Limited is 31 March, and the group's share of the results of operations for the year ended on that date has been included in the consolidated financial statements. Peter Webb Galleries Limited is incorporated in New Zealand.

The reporting date of First East Auction Holdings Pty Limited is 31 December. First East Auction Holdings Pty Limited is incorporated in Australia and owns 66% of Melbourne auction house Leonard Joel Pty Ltd and the group's share of the results of operations for the year ended 31 March 2010 have been included in the consolidated financial statements. This holding is now included in Investments.

## MOWBRAY COLLECTABLES LIMITED

### Notes to the Financial Statements for the year ended 31 March 2011

#### Carrying amount of Investment in Associates

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
Carrying amount at beginning of year	2,360,131	2,163,100	1,322,472	1,244,037
Advance made during the year	51,000	210,736	-	-
Share of net surplus/(deficit)	58,303	(13,705)	58,303	78,435
Dividend Received	(41,234)	-	(41,234)	-
Associate derecognised	(1,088,659)	-	-	-
Carrying amount at end of year	1,339,541	2,360,131	1,339,541	1,322,472
Goodwill in the carrying amount in associates	894,227	1,976,091	894,227	894,227

#### 16. Summarised financial information of associates:

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
Current assets	2,965,044	6,362,264	2,965,044	3,234,143
Non-current assets	504,735	11,565,323	504,735	574,156
Current liabilities	2,347,729	8,418,535	2,347,729	2,721,654
Non-current liabilities	-	7,607,433	-	-
<b>Net assets</b>	<b>1,122,051</b>	<b>1,901,619</b>	<b>1,122,051</b>	<b>1,086,645</b>
<b>Revenue</b>	<b>3,415,168</b>	<b>20,214,083</b>	<b>3,415,168</b>	<b>3,170,742</b>
<b>Net Profit</b>	<b>118,986</b>	<b>(300,629)</b>	<b>118,986</b>	<b>160,071</b>

#### 17. Investment in Subsidiaries

Subsidiaries owned at 31 March 2011	Carrying Values 2011 \$	Carrying Values 2010 \$	Principal Activities	Balance Date	Country of Incorporation
Mowbray Bethunes Limited	1,151,220	1,151,220	Stamp, philatelic, rare book dealer, retailer & auctioneer	31 March	New Zealand
World Wide Fund for Nature Stamp Program (New Zealand Agency)	139,230	139,230	International stamp program agency	31 March	New Zealand
Wildlife Philatelic Collections Pty Limited	809,550	809,550	International stamp program agency	31 March	Australia
Mowbrays Australia Pty Limited	-	332,857	International stamp auctioneer	31 March	Australia
Auction Investments Limited	-	-	Holding company	31 March	New Zealand
Auction Investments SA Limited	-	-	Holding company	31 March	New Zealand
	<u>2,100,000</u>	<u>2,432,857</u>			

The percentage holding in all subsidiaries at 31 March 2011 is 100% (2010: 100%).

**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**

for the year ended 31 March 2011

**18. Related Parties****(a) Parent Entities**

The Parent entity in the consolidated group is Mowbray Collectables Limited.

**(b) Equity interests in related parties**Equity interests in subsidiaries

Details of the percentage of ordinary shares held in the subsidiaries are disclosed in note 17 to the financial statements.

Equity interests in associates

Details of interests in associates are disclosed in note 15 to the financial statements.

**(c) Transactions**

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

Parent company income received from its subsidiary Wildlife Philatelic Collections Pty Limited was \$32,200 (2010: \$47,524) in respect of management charges. Interest was charged between Mowbray Collectables Limited and Auction Investments Limited of \$233,121 (2010: \$193,508). There were no purchases from subsidiaries

During the year J.R. Mowbray Philatelist purchased stock from House of Stamps (\$4,915) and made sales to Wildlife Philatelic Collection Pty Limited (\$9,903).

There are instances when directors and companies within the group buy items from auctions held by group companies. In all instances these transactions are conducted on an arms length basis and commission is paid in accordance with the terms and conditions of the auction. The commission amounts involved are not significant.

During the year, J R Mowbray received remuneration of \$184,875 and D K Heather \$117,88

Andrew Pitt, a director of Wildlife Philatelic Collections Pty Limited, provides management services of \$15,911 (2010: \$11,618), and fulfilment services of \$90,131 (2010: \$93,071) 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 of \$26,624 (2010: \$27,536) to Barlow International Pty Limited.

**Outstanding balances**

Amounts outstanding between the company and related parties are:

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
Mowbray Bethunes Limited		-	(2,530,211)	(1,901,750)
World Wide Fund for Nature Stamp Program		-	(100,610)	(100,610)
Mowbrays Australia Pty Limited	-	98,316	40,911	2,062
Wildlife Philatelic Collections Pty Limited		-	(1,082,878)	(906,078)
Auction Investments Limited	-	-	2,496,431	2,271,599
Agencies	33,826	31,637	-	(62,063)
Auction Investments SA Limited	-	-	539,710	-
	<u>33,826</u>	<u>129,953</u>	<u>(636,647)</u>	<u>(696,840)</u>

- The related party receivables/payables in the Parent Balance Sheet have no fixed terms of settlement. They are repayable/receivable on demand but are not expected to be settled within the next 12 months.
- The related party receivables in the consolidated Balance Sheet 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.



## MOWBRAY COLLECTABLES LIMITED

### Notes to the Financial Statements

for the year ended 31 March 2011

- The Group is entitled to a share of the profits derived under their agency agreements with Tokelau and CHC. In addition the Group charges management fees for administering these arrangements. The Group recognises the management fees and profit share under these arrangements in these financial statements.
- The Group has an agreement to supply, at a reduced rate, chapters and albums to NZ Post. Under the agreement, the Group receives a share of the profits from sales made by NZ Post. The sales to NZ Post and the Group's profit share are recognised in these financial statements.
- The National Bank has provided a guarantee of \$75,000 to New Zealand Exchange Limited on behalf of the Group. The bank holds a personal guarantee from John Mowbray to cover this obligation.
- 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.

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2011	Year Ended 31 March 2010
	\$	\$	\$	\$
Rent paid was	93,619	91,344	-	-

### 19. Discontinued operations

	CONSOLIDATED	
	Year Ended 31 March 2011	Year Ended 31 March 2010
Revenue	336,475	709,790
Expenses	298,291	1,256,421
Net profit/(loss) before taxation	38,184	(546,631)
Taxation expense	(55,783)	122,675
Net profit after taxation	(17,598)	(423,956)

The business operations of Mowbrays Australia PTY Limited was sold during the year under review. In accordance with NZIFRS 5 the net profit before tax has been separately disclosed in the Statement of Comprehensive income as discontinued operations.

### 20. Earnings Per Share

The earnings and weighted average number of ordinary shares are as follows:

	CONSOLIDATED	
	Year Ended 31 March 2011	Year Ended 31 March 2010
Surplus/(deficit) from continuing operations	(\$63,852)	\$260,022
Surplus/(deficit) from discontinuing operations	(\$17,598)	(\$423,956)
Weighted average number of ordinary shares	11,155,523	10,933,023
Earnings/(loss) per share (cents) (continuing operations)	(0.6)	2.4
Earnings/(loss) per share (cents) (discontinued operations)	(0.2)	(3.9)
Distributions to shareholders	\$172,728	-
Amount per share (cents)	1.5	-

**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011**21. Operating Lease Commitments**

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
Commitments in respect of non-cancellable operating leases:				
Not later than one year	104,619	123,344	-	-
Later than one year and not later than two years	104,619	91,344	-	-
Later than two years and not later than five years	-	-	-	-
	<u>209,238</u>	<u>214,688</u>	<u>-</u>	<u>-</u>

**22. Segment Information**

*Description of the types of products and services from which each reportable segment derives its revenues*

The Group has 3 main reportable segments:

*Auction segment* – These divisions and subsidiaries are involved in the purchase and processing of philatelic and numismatic material for both postal and public auction. In New Zealand an international public auction is held annually for the sale of our own material and on behalf of vendors. The postal auction process involves our own purchased and processed product. In Australia all material auctioned is on behalf of vendors.

*Retail segment* – The retail segment of the divisions and subsidiaries are involved in the sale of supplies associated with the philatelic industry, and subscription series products such as the World Wide Fund for Nature Stamp programme.

*All other segments* – This segment included the head office costs of management, governance and compliance of the group. The revenues are derived from management fees and dividends

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The board considers the business from both a product and service perspective. As the segment information suggests geographically the businesses are located in both New Zealand and Australia.

Being involved in the international auction and postal auction business sales to external customers do occur outside the geographic locations of both New Zealand and Australia. The external locations of the customers is not considered a strategic factor compared to the importance of the servicing of these customers.

*Factors that management used to identify the Group's reportable segments*

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

*Measurement of operating segment profit or loss*

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as restructuring costs and goodwill impairment, and also excluding the effects of share based payments.

Information on geographical assets and rights under insurance contracts is not available and the cost to develop it would be excessive.

*Segment assets and liabilities*

Segment assets and liabilities are not included within the reporting to the Board and hence have not been included in the notes below.

## MOWBRAY COLLECTABLES LIMITED

Notes to the Financial Statements  
for the year ended 31 March 2011

CONSOLIDATED				
	Auction segment 2011 \$	Retail segment 2011 \$	All other segments 2011 \$	Total NZ 2011 \$
<b>Revenue</b>				
Turnover	1,449,481	304,773	-	1,754,254
Auction commission	309,665	-	-	309,665
Dividends	-	-	41,234	41,234
Sundry Revenue	47,487	7,888	-	55,375
Management Fees	-	-	8,504	8,504
<b>Operating Revenue</b>	<b>1,806,633</b>	<b>312,661</b>	<b>49,738</b>	<b>2,169,032</b>
Purchases	303,305	103,218	-	406,523
Employee Benefits	422,009	74,372	278,454	774,835
Finance income	36	-	51,074	51,110
Finance cost	1,987	-	49,788	51,775
Depreciation (note 11)	10,246	-	-	10,246
Amortisation (note 12)	1,194	-	-	1,194
<b>Segment profit before income tax</b>	<b>578,307</b>	<b>61,748</b>	<b>(405,328)</b>	<b>234,727</b>

	Australia Retail segment 2011 \$	Total NZ 2011 \$	Total 2011 \$
<b>Revenue</b>			
Turnover	802,723	1,754,254	2,556,977
Auction commission	-	309,665	309,665
Dividends	-	41,234	41,234
Sundry Revenue	-	55,375	55,375
Management Fees	-	8,504	8,504
<b>Operating Revenue</b>	<b>802,723</b>	<b>2,169,032</b>	<b>2,930,522</b>
Purchases	193,187	406,523	599,710
Employee Benefits	-	774,835	774,835
Finance income	13	51,110	51,123
Finance cost	-	51,775	51,775
Depreciation (note 11)	626	10,246	10,872
Amortisation (note 12)	-	1,194	1,194
<b>Segment profit before income tax</b>	<b>146,971</b>	<b>234,727</b>	<b>381,698</b>

**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**  
for the year ended 31 March 2011

<b>CONSOLIDATED</b>				
	<b>Auction segment 2010 \$</b>	<b>Retail segment 2010 \$</b>	<b>All other segments 2010 \$</b>	<b>Total NZ 2010 \$</b>
<b>Revenue</b>				
Turnover	1,485,775	283,732	-	1,769,507
Auction commission	314,911	-	-	314,911
Dividends	2,160	-	14,123	16,283
Sundry Revenue	33,414	3,538	37	36,989
Management Fees	-	-	15,124	15,124
<b>Operating Revenue</b>	<u>1,836,260</u>	<u>287,270</u>	<u>29,284</u>	<u>2,152,814</u>
Purchases	323,425	155,351	-	478,776
Employee Benefits	386,109	67,919	286,775	740,803
Finance income	3,845	-	-	3,845
Finance cost	14,588	-	33,451	48,039
Depreciation (note 11)	11,371	-	-	11,371
Amortisation (note 12)	1,662	-	-	1,662
<b>Segment profit before income tax</b>	<u>580,168</u>	<u>50,067</u>	<u>(540,195)</u>	<u>90,040</u>

	<b>Australia Retail segment 2010 \$</b>	<b>Total NZ 2010 \$</b>	<b>Total 2010 \$</b>
<b>Revenue</b>			
Turnover	825,208	1,769,507	2,594,715
Auction commission	-	314,911	314,911
Dividends	-	16,283	16,283
Sundry Revenue	-	36,989	36,989
Management Fees	-	15,124	15,124
<b>Operating Revenue</b>	<u>825,208</u>	<u>2,152,814</u>	<u>2,978,022</u>

	<b>Australia Retail segment 2010 \$</b>	<b>Total NZ 2010 \$</b>	<b>Total 2010 \$</b>
Purchases	290,377	478,776	769,153
Employee Benefits	-	740,803	740,803
Finance income	14	3,845	3,859
Finance cost	-	48,039	48,039
Depreciation (note 11)	845	11,371	12,216
Amortisation (note 12)	-	1,662	1,662
<b>Segment profit before income tax</b>	<u>136,327</u>	<u>90,040</u>	<u>226,367</u>



## MOWBRAY COLLECTABLES LIMITED

### Notes to the Financial Statements for the year ended 31 March 2011

#### 23. Net Cash Flow from Operating Activities

Reconciliation of income statement Surplus/(deficit) with net cash flow from operating activities:

	CONSOLIDATED		PARENT	
	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$	Year Ended 31 March 2011 \$	Year Ended 31 March 2010 \$
<b>Reported surplus/(deficit) after taxation</b>	(63,853)	260,022	(598,643)	(546,824)
<b>Non cash items:</b>				
Depreciation	10,873	12,216	-	-
Amortisation	1,194	1,662	-	-
Derecognition of Associates	360,000	-	-	-
Impairment	-	-	332,857	330,000
Deferred tax asset	(1,644)	(31,828)	1,345	(32,091)
Management Fees	-	-	(40,704)	(47,524)
Interest	-	-	(233,121)	(193,508)
Dividend received	-	-	-	-
Foreign Exchange	26,970	53,766	-	-
Associate interest	(51,000)	-	-	-
Associated share of net (surplus)/deficit	(58,303)	(51,468)	(58,303)	(84,065)
	288,090	49,521	2,074	(21,558)
Movements in working capital excluding movements relating to purchase of subsidiaries:				
(Increase)/decrease in inventories	93,076	64,215	-	-
(Increase)/decrease in receivables	(111,276)	(12,149)	(6,919)	2,092
Increase/(decrease) in payables	(78,404)	72,903	9,693	(3,221)
Increase/(decrease) in other payables & accruals	(2,084)	42,728	(12,119)	43,234
Increase/(decrease) in tax payable	(11,316)	104,410	(387)	618
	(110,004)	272,107	(9,732)	42,723
Movements in investment activities:				
Loss/(Gain) on Disposal of Fixed Assets	-	-	-	-
Net cash inflow/(outflow)	114,233	516,477	(606,031)	(531,289)

#### 24. 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 and cash equivalents, Receivables, Trade Creditors, Payables

The fair value of all financial instruments is equivalent to their carrying value disclosed in the Balance Sheet.

##### Currency Risk

The Group is exposed to foreign exchange risk as a result of offshore funding activities and transactions denominated in foreign currencies, arising from normal trading activities. The NZ dollar equivalent of the unhedged net assets of the Group's Australian subsidiaries at balance date was \$1,110,855 (2010: \$879,825).

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



**MOWBRAY COLLECTABLES LIMITED****Notes to the Financial Statements**

for the year ended 31 March 2011

*Interest Rate Risk*

The Group and Company have three loans incurring interest, of which two are with the National Bank and one is with J.R. Mowbray, all of which are at fixed interest rates. The Directors consider that they have very little exposure to interest rate risk.

*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 is exposed to little credit risk. Stock is only released on receipt of cleared funds. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The Group's turnover was \$3,106,387 and there were \$12,353 of bad debts (0.40%). The Group's credit policies are regarded as conservative and fiscally prudent.

*Capital risk management*

The main objective of capital risk management is to ensure the Group and Company operates as a going concern, meeting debts as they fall due, maintaining the best possible capital structure and reducing the cost of capital. Group and Company capital consists of share capital, foreign currency translation reserves and retained earnings. Group \$3,696,641, (2010: \$4,289,168 )and Parent \$1,970,043, (2010: \$2,741,414.) To maintain or alter the capital structure the Group and Company has the ability to review the size of dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

The Group and Company have no externally imposed bank financial covenants at this time.

**25. Subsequent Events**

The directors are not aware of any subsequent events requiring disclosure that have occurred since the year end.

**26. Commitments for Capital Expenditure**

There were no commitments for expenditure as at 31 March 2011 (2010: \$Nil)

**27. Contingent Liabilities and Assets**

There were no Contingent Liabilities or Contingent Assets at 31 March 2011 (2010: \$Nil)



PKF Martin Jarvie  
Chartered Accountants



Accountants &  
Business Advisers

## **INDEPENDENT AUDITOR'S REPORT** **To the Shareholders of Mowbray Collectables Limited**

### ***Report on the Consolidated Financial Statements***

We have audited the consolidated financial statements of Mowbray Collectables Limited on pages 6 to 33 and its subsidiaries, which comprise the balance sheet of Mowbray Collectables Limited and the consolidated balance sheet as at 31 March 2011, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Directors' Responsibility for the Consolidated Financial Statements***

The directors are responsible for the preparation of consolidated financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

3rd Floor | 85 The Terrace | PO Box 1208 | Wellington 6140  
Phone +64 4 472 7919 | Fax +64 4 473 4720  
Email [info@pkfmj.co.nz](mailto:info@pkfmj.co.nz) | [www.pkfmartinjarvie.co.nz](http://www.pkfmartinjarvie.co.nz)

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Accountants &  
Business Advisers

#### *Opinion*

In our opinion, the consolidated financial statements on pages 6 to 33:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Mowbray Collectables Limited and the group as at 31 March 2011 and the financial performance and the cash flows of the group for the year then ended

#### *Emphasis of Matter: Fair Value of Investment in First East Auction Holdings Pty Limited*

In forming our opinion we have considered the adequacy of the disclosures made in the financial report concerning the Directors' view of the fair value of the group's investment in First East Auction Holdings Pty Limited upon its derecognition as an associate, including significant judgements made, as set out in the Statement of Accounting Policies – Key Sources of Estimation Uncertainty. Our opinion is not modified in respect of this matter.

#### **Report on other Legal and Regulatory Requirements**

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by Mowbray Collectables Limited as far as appears from an examination of those records.

*PKF Martin Jarvie.*

28 June 2011  
PKF Martin Jarvie  
Wellington



## MOWBRAY COLLECTABLES LIMITED

### Statutory and Shareholder Information

for the year ended 31 March 2011

#### 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.

D.K Heather was appointed a director on 21 March 2006.

#### Stock Exchange Listing

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

#### Substantial Security Holders

The Company's register of substantial security holders, prepared in accordance with section 25 of the Securities Amendment Act 1988 recorded the following information as at 29 May 2011

<i>Name</i>	<i>Number of Voting Securities</i>
J. R. Mowbray	4,765,060
J. I. Urquhart Family A/C	1,430,000
New Zealand Central Securities Depository Limited	826,314
Sir R. Brierley	660,000

At 29 May 2011 the total issued voting securities was 11,155,523.

#### Largest Shareholders

The names of the 20 largest shareholders and their holdings as at 29 May 2011 were:

<i>Name</i>	<i>Number of Shares Held</i>	<i>Percentage of Issued Shares</i>
J. R. Mowbray	4,765,060	42.71%
J. I. Urquhart Family A/C	1,430,000	12.82%
New Zealand Central Securities Depository Limited	826,314	7.41%
Sir R. Brierley	660,000	5.92%
S. M. Mowbray & R. A. Oldham	339,129	3.04%
Sinclair Long Term Holdings Limited	280,000	2.51%
Rotorua Perpetual Capital Fund Limited	207,927	1.86%
Forsyth Barr Custodians Limited	126,500	1.13%
M. C. Radford	120,000	1.08%
Forsyth Barr Custodians Limited	114,220	1.02%
Hubbard Churcher Trust Management Limited	100,000	0.9%
Dagger Nominees Limited	83,466	0.75%
C. Biggs	78,324	0.70%
Forsyth Barr Custodians Limited	78,259	0.70%
J. H. Oakley	77,000	0.69%
John Scott Stewart Richardson	75,000	0.67%
P. G. Gillespie, W. N. Gillespie, A. R. Short	70,000	0.63%
Ronald Joseph Gillatt	69,385	0.62%
PCS Investment Nominees Limited	50,600	0.45%
R. J. Dunlop, J. M. Dunlop	50,000	0.45%
	<b>9,601,184</b>	<b>86.07%</b>

The total shares on issue at 29 May 2011 were 11,155,523.

## MOWBRAY COLLECTABLES LIMITED

### Statutory and Shareholder Information

for the year ended 31 March 2011

#### Spread of Shareholders

The spread of shareholders as at 29 May 2011 was:

	<i>Holding Range</i>	<i>No. of Holders</i>	<i>Total Shares</i>	<i>Percentage</i>
1	- 1,000	20	12,687	0.11%
1,001	- 5,000	178	375,566	3.37%
5,001	- 10,000	42	297,721	2.67%
10,001	- 100,000	53	1,600,399	14.35%
100,001	- 5,000,000	10	8,869,150	79.50%
Total		303	11,155,523	100.00%

#### Directors' Relevant Interests

The equity securities in which each Director has a relevant interest at the balance date of the current financial year were:

	<b>2011 No of Shares</b>	<b>2010 No of Shares</b>
<b>J. R. Mowbray</b>		
Opening balance	4,765,060	4,765,060
Movements		
Sale of shares	-	-
Closing balance	4,765,060	4,765,060
<b>I. J. Halsted</b>		
Opening balance	34,375	34,375
Movements		
Sale of shares	-	-
Closing balance	34,375	34,375
<b>M.C. Radford</b>		
Opening balance	120,000	120,000
Movements		
Sale of shares	-	-
Closing balance	120,000	120,000
<b>D.K Heather</b>		
Opening balance	-	-
Movements		
Sale of shares	-	-
Closing balance	-	-

**Note 1** In the 2011 year, John Mowbray's shareholding did not change. In addition he has a beneficial interest of 49,500 shares.

**Note 2** In the 2011 year, I.J Halsted's shareholding did not change. In addition he has a beneficial interest of 126,500 shares.

**Note 3** In the 2011 year, M.C Radford's shareholding did not change.

**Note 4** D.K Heather does not hold any shares.

#### Directors' Remuneration

Directors' remuneration during the year was M. C. Radford \$24,000 and I. J. Halsted \$18,000.

J. R. Mowbray, as managing director, received a salary of \$184,875 and D.K Heather, as finance director, received a salary of \$117,088.

#### Employees' Remuneration

During the year no employees, other than directors received remuneration in excess of NZ\$100,000.

## Company Profile

### NEW ZEALAND

#### 1. J R MOWBRAY PHILATELIST

Private Bag 63000, Wellington 6140  
Main Highway, Otaki. Telephone 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 internationally.

#### 2. JOHN MOWBRAY INTERNATIONAL

Private Bag 63000, Wellington 6140  
Main Highway, Otaki. Telephone 06 364 8270

We hold New Zealand's largest stamp auction annually, with an international clientele.

#### 3. HOUSE OF STAMPS

Private Bag 63000, Wellington 6140  
Main Highway, Otaki. Telephone 06 364 8270

Retail and wholesale mail order dealer in New Zealand stamps and philatelic accessories. Agents for various producers including Stanley Gibbons, Davo, Prinz, Scott.

#### 4. WORLD WIDE FUND FOR NATURE STAMP PROGRAM

Private Bag 63000, Wellington 6140  
Main Highway, Otaki. Telephone 06 364 8270

New Zealand agent for WWF stamps worldwide, selling by continuity programmes.

### AUSTRALIA

#### 5. MOWBRAYS AUSTRALIA PTY LTD

Private Bag 63000, Wellington 6140  
Main Highway, Otaki. Telephone 06 364 8270

#### 6. WILDLIFE PHILATELIC COLLECTIONS PTY LTD

PO Box 107, Rosebery, Sydney.

Australian agent for the World Wide Fund for Nature Stamp Program, selling by continuity programmes.

### INVESTMENTS

#### 7. PETER WEBB GALLERIES LTD

18 Manukau Road, Newmarket, Auckland.

We own 49% of this business, New Zealand's premier art auction house.

#### 8. FIRST EAST AUCTION HOLDINGS PTY LTD

10 Albion Avenue  
Paddington NSW 2021

We own 19.08% of this business.

#### 9. SOTHEBY'S AUSTRALIA PTY LTD

926 High Street, Armadale, Victoria

We own 20% of this business.



## Board of Directors

### MURRAY RADFORD BCA, CA – CHAIRMAN

Murray is Chairman and a shareholder of the company, holding 170,000 shares. He is a director of a number of private companies. Previously Murray worked in stockbroking 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 4,815,060. Since starting the 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 patron of the Waikanae Rugby Club, and Kapiti Philatelic Society. He is Chairman of the Horowhenua – Kapiti Rugby Union and the Mahara Gallery Trust.

### IAN HALSTED – DIRECTOR

Ian is a director and shareholder in the company, holding a direct and indirect interest in 160,875 shares. He recently retired as Managing Director of Hedley Byrne NZ Ltd. Previous positions include director of Hallenstein Bros 1967-1989. Managing Director Hallenstein Glasson Ltd 1985-89, President of the Retailers Federation and president NZ Institute of Management, Otago Division. Ian was also a member of the Distribution Industry Advisory Group to Government.

### DAVID HEATHER BCA – FINANCE DIRECTOR

David has previously worked in the transport sector as a director and Managing Director of Russell & Somers Wellington. He has also served in a number of voluntary appointments in the disability sector including as a trustee of the Royal NZ Foundation for the Blind and the Vision Education Agency of NZ.

### Directors

John Reader Mowbray  
54 Winara Avenue  
Waikanae

Ian Jeffrey Halsted  
19A Lucerne Road  
Remuera  
Auckland

Murray Charles Radford  
10/B Central Terrace  
Wellington

David Keith Heather  
29 Hona Street  
Waikanae

### Registered Office

247-253 Main Highway  
Otaki

### Communication Addresses

Postal: PO Box 63000, Wellington 6140  
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  
Corporate Wellington

### Auditors

PKF Martin Jarvie  
Wellington

### Accountants

BDO Wellington Limited

### Solicitors

Johnston Lawrence  
Wellington

### Share Registrar

Link Market Services  
PO Box 384  
Ashburton



## STRONG MARCH RESULTS BRING THE FINANCIAL YEAR TO A POSITIVE CLOSE.

With seven specialist sales turning over \$3.6m in the month of March, Webb's financial year finished strongly. An excellent range of quality material was offered by each department over the month and a number of record prices were achieved. Overall the 2010/11 financial year saw a 15% increase on gross turnover against the previous year with all of Webb's specialist departments achieving significant success.



At the end of the 2010/11 financial year, Webb's clearly leads the art market holding six of New Zealand's ten highest prices for New Zealand artists at auction. All sales were in excess of \$200,000 and were achieved exclusively by works from the Modern and Contemporary periods. The highlight of Webb's final auction for the year, held in March, was Kotare Over Ratana Church, Te Kao, 1964, by Don Binney, securing a top bid of \$308,800 which set a new auction record for the artist's work.

The Vintage Motorcycles were also embraced by New Zealand collectors and again a number of record prices were set including \$100,000 for the immaculate 1955 Vincent Black Knight.

The Oceanic and African Art sale held in March achieved total sales of over \$400,000. Local and international bidding ensured the best material was highly contested. A number of remarkable prices were realised

including \$14,000 for a beautiful Tahitian shark hook after a hard-fought battle between two French Oceanic dealers. The market for fine wines continues to grow with sales doubling during the last two years. Equally, the markets across the collecting genres of antiques and books had successful results.



If April is anything to judge by, 2011 promises to be a year of growth. Webb's Jewellery Department achieved a New Zealand record at auction when a beautiful diamond of 4.85ct sold for \$229,000. While the Art department also experienced a surge in activity centred around significant works of art being sold privately.

Across all Departments Webb's also raised donations of over \$335,000 for the people of Christchurch.

Mowbray Collectables own 49% of Peter Webb Galleries Ltd

## WEBB'S TOP TEN PRICES ACHIEVED ACROSS GENRES IN THE 2011 FINANCIAL YEAR

### ART

\$308,800 -- Don Binney, Kotare over the Ratana Church, Te Kao  
\$256,700 -- Shane Cotton, Lying in the Black Land  
\$251,000 -- Bill Hammond, A Lullaby of Birdland  
\$251,000 -- Bill Hammond, All Along the Heaphy Highway  
\$240,000 -- Colin McCahon, Seaweed on the Beach  
\$225,000 -- Don Binney, Man's Head from Te Henga III  
\$228,000 -- Shane Cotton, Blackout Movement  
\$175,400 -- Charles Goldie, Mihipeka Wairama  
\$154,000 -- Bill Hammond, Ancestral  
\$136,900 -- Tony Fomison, Hill Top Watcher

### FINE JEWELLERY

\$130,000 -- Fancy Intense Yellow 5.14ct Diamond and White Diamond Ring  
\$85,800 --- 3.00ct Emerald-cut Diamond Solitaire Ring  
\$74,000 --- 3.03ct Emerald-cut Diamond  
\$74,000 --- 7.25ct Solitaire Diamond Ring  
\$68,500 --- 6.30ct Emerald and Diamond Cluster Ring  
\$62,900 --- Loose 3.99ct Pear-shaped Diamond  
\$54,200 --- Loose 3.01ct Princess Cut Diamond  
\$49,000 --- Ring Centred by approx 5.1ct Diamond  
\$45,750 --- Sapphire and Diamond Necklace

### OCEANIC AND AFRICAN ARTS

\$146,200 -- Mere Pounamu – Te Kaoreore  
\$46,900 --- Pre contact Waka Huia  
\$30,000 --- Important Poutokomanawa – Ancestral Totem  
\$32,700 --- Superb Fijian Culacula Club  
\$29,200 --- Maori Kumete  
\$29,312 --- Bonito Fish Totem – Solomon Islands  
\$25,800 --- Set of Huia and Kiwi Cased  
\$25,200 --- Prestigious Maori Toki  
\$24,600 --- Dogon Mask  
\$23,400 --- Tongan Breastplate

### IMPORTANT CARS & CLASSIC MOTORCYCLES

\$1,100,000--1963 Ferrari 250 GT Lusso  
\$109,250 --1931 Bugatti T54 Special  
\$110,000--The Bryan Thomas Desmo Manx 350  
\$100,000--1955 Vincent Black Knight  
\$70,000 ---1964 Matchless Matisse G50  
\$60,400 ---1950 Vincent Rapide  
\$42,000 ---1949 AJS 7R  
\$41,000 ---1947 Indian Chief  
\$35,000 ---1973 Triumph Hurricane  
\$28,140 ---1925 Indian Prince  
\$26,967 ---1969 Honda CB750k

### FINE AND RARE WINE

\$15,500 --- (12) 1995 Ch Lafite Rothschild  
\$14,700 --- (1) 1971 DRC, Romanée Conti  
\$12,700 --- (12) 2007 Ch Lafite Rothschild  
\$12,300 --- (12) 2001 Ch Lafite Rothschild  
\$12,300 --- (6) 2003 Ch Lafite Rothschild  
\$11,600 --- (12) 1997 Ch Lafite Rothschild  
\$10,500 --- (6) 2003 Ch Ausone  
\$9,500 ----- (9) 1996 Ch Lafite Rothschild  
\$9,200 ----- (12) 2002 Ch Lafite Rothschild  
\$9,100 ----- (6) 2003 Ch Latour

### RARE BOOKS

\$30,000 --- Bruce Gamble Collection of Postcards  
\$21,000 --- George French Angas, The New Zealanders  
\$14,000 --- Declaration of Independence  
\$7,200 ----- Buller Photograph Album  
\$5,400 ----- William Henry Churton, Diary of New Zealand Wars Volunteer Churton  
\$5,400 ----- James Grindell, Six Bound Volumes of Te Waka Maori O Niu Tirani  
\$5,400 ----- Ferdinand von Hochstetter's Atlas  
\$4,100 ----- James Cook, The Second Voyage in two volumes  
\$4,000 ----- Walter Buller, A History of the Birds of New Zealand  
\$3,600 ----- Thomas Kendall and Samuel Lee, Grammar and Vocabulary of the Language of New Zealand

### ANTIQUES AND MODERN DESIGN

\$25,800 --- 19th-century Automaton by Henry Phalibois  
\$23,450 --- German Polyphone with 20 Discs  
\$23,450 --- A set of four candlesticks Sheffield, 1823  
\$13,800 --- 18ct Gold Trophy Cup  
\$10,500 --- Hardy Brothers Zane Grey 4.3/16 Reel  
\$8,300 ----- Shibayama Four-panel Vase  
\$8,200 ----- A Siebe Gorman Copper and Brass Diving Helmet  
\$7,300 ----- Large Picture of The Crowning with Thorns  
\$7,100 ----- An Ole Wanscher Colonial Easy Chair and Footstool  
\$7,000 ----- Herring and Son Jockey Scales

All items are inclusive of buyer's premium and GST.  
All amounts are rounded to the nearest hundred dollar value.

