

**MOWBRAY COLLECTABLES GROUP
ANNUAL REPORT**

2015

CONTENTS

Directors Report	1
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Financial Performance	6
Consolidated Statement of Cash Flows	7
Statement of Accounting Policies	8
Notes to the Financial Statements	14
Independent Auditor's Report	30
Statutory and Shareholder Information	32
Corporate Governance	35
Company Directory	37

DIRECTORS' REPORT

Introduction

This annual report and the financial statements are for the year ended 31 March 2015. However, by the time shareholders receive this annual report, the Special Meeting of shareholders will have been held.

The Special Meeting on 24 June 2015

The special meeting approved the sale of the stamp, coin and bank note businesses to Philcoin Investments Ltd, a company associated with John Mowbray. A vote poll was held with 92.59% of those voting in person or by proxy in favour of the motion. Shareholders received the comprehensive Notice of Meeting about 2 weeks ago. That explained the rationale for the sale and the careful and considered sale process that was undertaken. When settled, the sale changes the fundamental structure of the group. Further information on the sale is discussed below.

The Notice of Meeting mentioned two other matters worthy of restatement:

1. Mowbray Collectables Ltd will change its name to Bethunes Investments Ltd (NZX: BIL) in the next week or two. This was a logical condition of sale to permit John Mowbray and Philcoin Investments Ltd the continued use of the well-known and respected "Mowbray" stamp business name.
2. The directors intend to present to shareholders before the annual meeting in September their plan for the future of the company.

The Past Year

The directors of Mowbray Collectables Ltd are disappointed that the 2015 year ended with an audited loss after taxation of \$2.95 million compared with a deficit of \$112,500 in 2014.

The deficit comprises a full year trading loss before taxation of \$1.51 million (2014: \$111,000), impairment of assets (including goodwill) of \$1.32 million (2014: \$43,000) and taxation of \$115,000 (2014: \$42,000 gain). The result includes the profit or loss from discontinued operations as a result of the sale of Mowbray Bethunes Ltd and Wildlife Philatelic Collections Pty Ltd.

In the interim report to 30 September 2014, the directors announced an unaudited deficit of \$1.99 million comprising a \$708,000 trading loss and an impairment of goodwill of \$1.28 million. The trading losses continued in the second half, mainly attributable to Peter Webb Galleries Limited and included the one-off costs for staff changes, premises relocation, business interruptions (fewer auctions), systems upgrades (accounting, auction management, and a yet to be released fully transactional website), plus significant audit and compliance costs of the parent company, and costs associated with the sale of the businesses referred to above.

Divisional Commentary

Peter Webb Galleries Limited

Despite the business interruptions of relocating to Parnell, there can be no doubt that the projections and forecasts that were relied upon during the independent valuation process required under the constitutional acquisition process, lead to Mowbray Collectables Limited paying too much for the purchase of the remaining 51% of Peter Webb Galleries Limited ("Webb's"). The result is the impairment of approximately one-third of the goodwill acquired which has contributed to the disappointing result.

The costs of the restructure and relocation at Webb's have been significant, compounded by disruption to the sales programme with fewer auction sales being possible than in the comparative year.

However, there has been much favourable comment on the quality and appearance of the new Webb's premises in Parnell which are state of the art and a market leading platform to enable repositioning of the Webb's brand. The challenge now is to deliver results commensurate with the physical attributes.

In previous commentaries we have detailed that Webb's was undergoing a complete business and cultural change. As with all business restructures the impacts are underestimated and the anticipated turnaround timeframes overestimated. This has occurred, with the result being that we are about six months behind where we had expected to be.

Not unexpectedly, not all staff members were comfortable with the new disciplines required as the significant change in culture is being implemented, old practices changed and departments closed. As a result, a number of senior staff have left Webb's employ. On the plus side, staff numbers have been significantly reduced, excellent people have been recruited to run both the jewellery and wine divisions, and we are undertaking an international search at present to strengthen the art division.

The investment in new systems is only now taking effect. A new online sales platform, data mining and marketing initiatives are due to go live by the end of July, which will complete the systems upgrades.

New banking arrangements were entered into with the BNZ in December, but with the slower than anticipated improvement in financial performance, cash flow remains an issue.

There is now little doubt that the changes to the Auctioneers Act 2013 has had a significant impact on the conduct of the auctions themselves with more items failing to achieve vendor reserves. This has led to many more sales from post auction negotiations and we expect it will eventually lead to a re-rating of vendor expectations.

While it is clearly reasonable for shareholders to be very disappointed with the Webb's acquisition to date there are "green shoots" starting to appear. The directors will provide a more detailed update of Webb's performance at the upcoming annual shareholders meeting, which will allow for further auctions to occur, and a more detailed review of the turnaround efforts in the ensuing months.

J R Mowbray Philatelist

This division reversed the downward trend that was evident to directors as detailed in the interim result.

John Mowbray International & Mowcoin

The annual stamp, coins and bank notes auctions were held in October, and while hammer and private treaty turnover was comparable with previous years, the auctions did not quite deliver the expected result.

Wildlife Philatelic Collections, Australia

This is now a mature and slowly declining business as a distributor of the WWF Stamp program in Australia. Since balance date, with the departure of the Sydney-based manager, the structure of the business has changed and it is now managed from Otaki.

Sale of the Stamp, Coin & Bank Note Businesses

As mentioned above, the Special Meeting of shareholders was held last week to approve the sale of the shares of Mowbray Bethunes Ltd (which includes the trading divisions J R Mowbray Philatelist, John Mowbray International, House of Stamps, Mowcoin, the Worldwide Fund for Nature Stamp Program agency) and Wildlife Philatelic Collections Pty Ltd to Philcoin Investments Ltd (a company held by interests associated with John Mowbray).

The need for the sale was foreshadowed in the interim announcement. This was due to the serious audit issues around stamp business inventory values which were explained in detail in the 2014 annual report. The auditor has advised that it is probable that qualified audit reports would continue whilst owning these businesses. This is clearly unsatisfactory from director and shareholder perspectives. Accordingly, it was determined that these businesses were not appropriate to be owned by a publicly-listed company.

The sale results from an arms-length sale process undertaken by a sub-committee of the non-interested directors, all possible opportunities for sale were explored, and the price agreed was the net book value of the assets of the businesses as at 31st March 2015.

Audit Opinion

The 2014 audit opinion received from the auditor was qualified with respect to inventory. It stated that "except for" \$761,000 of the net assets, the financial statements provided a true and fair view.

The 2015 opinion is also qualified, but as the qualified inventory balance will constitute a substantial portion of the net assets of the group (over 70%), the auditor believes any adjustments arising out of this balance could have a material and pervasive effect on the overall financial statements. As a result, the auditor will "disclaim the audit opinion". This inventory is part of the assets of the businesses being sold.

The disclaimer opinion also made mention of the goodwill impairments resolved by your directors at 30 September 2014, which were discussed within our interim report. These impairments were subsequently confirmed by the completion of the sale to John Mowbray, which was at a net tangible asset value.

The directors are not pleased about the disclaimer. However the auditor has advised that the sale of the stamp, coin and bank note businesses will remove this qualification in the future.

The directors acknowledge the significant contribution of a very loyal and committed staff. It has not been an easy year, firstly with the disruption caused by the change of premises and culture at Webb's and latterly with the uncertainty created with the sale of the stamp and coin businesses for the staff at Otaki. Now with the sale complete to those who now become the team at Philcoin thank you for your friendship and input over the last 14 years and best wishes for your future success.



Murray Radford
Chairman



John Mowbray
Managing Director

Mowbray Collectables Limited

Consolidated Statement of Comprehensive Income for the year ended 31 March 2015

		Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
	Notes		
Operating revenue	1	2,308,221	1,640,061
Changes in inventory		(1,209)	(10,307)
Auction costs		(223,251)	(643,584)
Employee benefits expense	3	(1,568,935)	(729,943)
Office consumables		(34,916)	(14,771)
Promotional expenses		(368,498)	(26,596)
Other expenses	2	(1,428,050)	(589,396)
Profit/(Loss) before taxation, discontinued operations, share of associates, impairment, interest, depreciation and amortisation		(1,316,638)	(374,536)
Depreciation	10	(33,645)	(24,144)
Amortisation	11	(4,375)	(1,527)
Profit/(Loss) before taxation, discontinued operations, impairment, share of associates and interest		(1,354,658)	(400,207)
Interest income	1	3,384	22,785
Interest expense		(98,415)	(70,246)
Profit/(Loss) before taxation, discontinued operations, impairment and share of associates		(1,449,689)	(447,668)
Impairment expense	12, 14	(1,321,472)	(42,677)
Share of associates' profit		-	6,461
Profit/(Loss) before taxation from continuing operations		(2,771,161)	(483,884)
Taxation (expense)/benefit	4	(114,889)	42,123
Profit/(Loss) from continuing operations		(2,886,050)	(441,761)
Deficit from discontinued operations	15	(63,846)	189,569
Gain from acquisition of subsidiary	24	-	139,755
Profit/(Loss) for the year		(2,949,896)	(112,437)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Movement in foreign currency translation reserve		(36,589)	(119,358)
Total comprehensive loss		(2,986,485)	(231,795)
Earnings per share			
Basic earnings/(loss) per share (cents)	16	(23.13)	(2.13)

Mowbray Collectables Limited

Consolidated Statement of Changes in Equity

for the year ended 31 March 2015

		Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	Notes	\$	\$	\$	\$
Balance at 1 April 2013		5,852,809	18,629	(2,094,504)	3,776,934
Comprehensive income					
Net (loss) after taxation		-	-	(112,437)	(112,437)
Other comprehensive income					
Movement in foreign currency translation reserve		-	(119,358)	-	(119,358)
Total comprehensive loss		-	(119,358)	(112,437)	(231,795)
Transactions with owners					
Issue of share capital	6	800,000	-	-	800,000
Capital raising costs	6	(35,500)	-	-	(35,500)
Dividend Paid		-	-	(223,110)	(223,110)
Total transactions with owners		764,500	-	(223,110)	541,390
Balance at 31 March 2014		<u>6,617,309</u>	<u>(100,729)</u>	<u>(2,430,051)</u>	<u>4,086,529</u>
Comprehensive income					
Net (loss) after taxation		-	-	(2,949,896)	(2,949,896)
Other comprehensive income					
Movement in foreign currency translation reserve		-	(36,589)	-	(36,589)
Total comprehensive loss		-	(36,589)	(2,949,896)	(2,986,485)
Transactions with owners					
Dividend Paid		-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 31 March 2015		<u>6,617,309</u>	<u>(137,318)</u>	<u>(5,379,947)</u>	<u>1,100,044</u>

Mowbray Collectables Limited

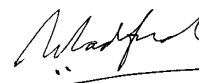
Consolidated Statement of Financial Position
as at 31 March 2015

		Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
	Notes		
EQUITY			
Share capital	6	6,617,309	6,617,309
Retained earnings		(5,379,947)	(2,430,051)
Foreign currency translation reserve		(137,318)	(100,729)
Total Equity		1,100,044	4,086,529
Represented by:			
CURRENT ASSETS			
Receivables		116,438	2,213,447
Prepayments		100,127	79,261
Cash & cash equivalents		64,039	1,030,574
Taxation receivable	4	35,331	148,315
Inventory	7	113,940	1,599,174
Investments	13	-	480,112
GST receivable		60,171	-
Disposal group assets held for sale	26	1,329,627	-
Total Current Assets		1,819,673	5,550,883
CURRENT LIABILITIES			
Bank overdrafts		615,896	574,258
Trade creditors		357,296	2,835,957
Other payables & accruals	8	379,874	491,059
GST payable		-	4,488
Current portion of loan	9	117,963	345,781
Current portion of deferred lease incentive	25	19,231	-
Disposal group liabilities held for sale	26	381,344	-
Total Current Liabilities		1,871,604	4,251,543
NET CURRENT ASSETS/(LIABILITIES)		(51,931)	1,299,340
NON-CURRENT ASSETS			
Deferred tax	4	-	159,531
Property, plant & equipment	10	498,862	243,839
Intangible assets	11	123,805	13,158
Goodwill	12	1,493,593	2,815,065
Agency receivables		40,508	39,265
Total Non-Current Assets		2,156,768	3,270,858
NON-CURRENT LIABILITIES			
Non-current portion of loan	9	782,037	483,669
Non-current portion of deferred lease incentive	25	222,756	-
Total Non-Current Liabilities		1,004,793	483,669
NET ASSETS		1,100,044	4,086,529

Authorised for issue for and on behalf of Board of Directors



J R Mowbray - Managing Director



M C Radford - Chairman

30 June 2015

Mowbray Collectables Limited

Consolidated Statement of Cash Flows for the year ended 31 March 2015

		Year Ended 31-Mar 2015	Year Ended 31-Mar 2014
	Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from (applied to)			
Receipts from customers		2,633,351	1,741,252
Receipt of lease exit inducement payment		325,000	-
Interest received		3,384	37,133
Dividend received		360	-
Payments to suppliers		(2,786,805)	(992,332)
Payments to employees		(1,624,627)	(822,034)
Interest paid		(98,415)	(70,246)
Taxation (paid)/received		113,475	(103,093)
Net cash flow from continuing operating activities	19	(1,434,277)	(209,320)
Net cash flow from discontinued operating activities		325,680	538,014
Net cash flow from operating activities		(1,108,597)	328,694
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from (applied to)			
Purchase of property, plant and equipment		(230,872)	(8,022)
Sale of property, plant and equipment		21,864	2,733
Purchase of intangible assets		(115,444)	(2,734)
Purchase of subsidiary		-	(1,391,017)
Cash acquired with subsidiary		-	423,117
Purchase of investments		-	(750)
Sale of investments	13	15,000	-
Dividends received from associate		-	212,060
Net cash flow from continuing investing activities		(309,452)	(764,613)
Net cash flow from discontinued investing activities		429,576	-
Net cash flows from investing activities		120,124	(764,613)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from (applied to)			
Dividend (paid)		-	(223,110)
Share capital issued (net of costs)		-	764,500
Loans received/(repaid)		827,336	1,055,753
Net cash flow from continuing financing activities		827,336	1,597,143
Net cash flow from discontinued financing activities		(766,042)	(483,446)
Net cash flow from financing activities		61,294	1,113,697
Net increase/(decrease) in cash & cash equivalents held		(927,179)	677,778
Cash & cash equivalents at beginning of year		456,316	(221,462)
Cash & cash equivalents at end of year		(470,863)	456,316
Comprising:			
Cash at bank - New Zealand		121,735	1,020,029
Bank overdrafts - New Zealand		(615,896)	(574,258)
Cash at bank - Australia		23,298	10,545
		(470,863)	456,316

Mowbray Collectables Limited

Statement of Accounting Policies For the year ended 31 March 2015

Statement of Compliance

Mowbray Collectables Limited ("the Company") is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The Company is incorporated and domiciled in New Zealand.

The consolidated financial statements for the 'Group' are for the economic entity comprising the Company and its subsidiaries. The Group is designated as a for-profit entity for financial reporting purposes.

The Financial Statements have been prepared in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013 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 for-profit entities.

The financial statements of the Company and Group comply with International Financial Reporting Standards ('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 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 2018. The standard is not expected to have a material impact on the Group.

NZ IFRS 15 - Revenue from Contracts with Customers specifies a single and comprehensive framework on revenue recognition. NZ IFRS 15 is intended to replace NZ IAS 18. NZ IFRS 15 is effective for accounting periods beginning 1 January 2017. Management have not yet determined the impact of adoption of the standard to the Group.

Reporting Entity & Period

For the results for the year ended 31 March 2015 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 (amalgamated with Mowbray Bethunes Limited on 31 May 2014)
- Auction Investments SA Limited (amalgamated with Mowbray Bethunes Limited on 31 May 2014)
- Mowbrays Australia Pty Limited
- Wildlife Philatelic Collections Pty Limited
- Peter Webb Galleries Limited (acquired 1 November 2013)
- Webb Fine Wines Limited (acquired 1 November 2013 and amalgamated with Peter Webb Galleries Limited on 30 September 2014)

These entities are all 100% owned by Mowbray Collectables Limited.

Basis of Preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below. See note 27 for the basis of the going concern assumption.

Critical Judgements in applying the entity's accounting policies

In the application of NZ IFRS the Group 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 on-going 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.

Goodwill

The Directors have reviewed each income-generating unit and tested the goodwill allocated for impairment. Goodwill was impaired by \$1.32 million during the year. There is a remaining balance of \$1.49 million relating to the Peter Webb Galleries Limited cash generating unit. The breakdown of goodwill and inputs for impairment calculations are provided at note 12.

Disposal Group Assets and Liabilities Held for Sale

The directors have considered the values of the disposal group assets and liabilities held for sale and consider the book values of these assets and liabilities to approximate fair value (see note 26).

Mowbray Collectables Limited

Statement of Accounting Policies For the year ended 31 March 2015

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.

Deferred tax assets

The Group carries deferred tax assets totalling \$0 (2014: \$159,531) that related to tax losses carried forward and timing differences in New Zealand and Australia. The Directors have reviewed these assets and based on the management forecasts are of the view that it is not probable that they are recoverable in the future, and have therefore been reduced to a nil carrying value (see note 4).

Inventory

Inventory is valued at the lower of cost or net realisable value. When collections are initially purchased they are held at cost. As an auction item is described, lotted, and allocated a value for cataloguing cost is estimated to be 30% of the expected net realisable value. After auction inventory has been through a defined number of cycles the unsold inventory is valued at a net realisable value of nil. Due to the proposed sale of Mowbray Bethunes Limited and Wildlife Philatelic Collections Pty Limited, inventory totalling \$1,143,466 has been included in Disposal Group Assets Held for Sale (see notes 7 and 26).

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

New standards and interpretation

The following new financial reporting standards and amendments to standards are effective from 1 January 2014 and have been applied in preparing these financial statements.

NZ IAS 1 Presentation of Financial Statements

NZ IAS 36 Impairment of Assets

(a) 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, and the Group's presentation currency. The financial statements are rounded to the nearest dollar.

Assets and liabilities of foreign operations are translated at the closing rate. Revenue and expense items are translated yearly, at the 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 other comprehensive income.

(b) Consolidation of Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Mowbray Collectables Limited

Statement of Accounting Policies For the year ended 31 March 2015

(c) Revenue Recognition

Sale of Goods

Income from the sale of goods is recognised when the 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 revenues are recognised as accrued, taking into account the effective yield of the financial asset.

Commission Income

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

Lease Exit Inducement

Lease exit inducement income is recognised when the Group's rights to receive the payments have been established.

(d) 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 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 assets are recognised to the extent that it is probable that sufficient taxable amounts will be available 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 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.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination, in which case the tax effect is included in the accounting for the business combination.

(e) Foreign Currency Transactions

Foreign currency transactions are recognised at the spot rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Statement of Accounting Policies
For the year ended 31 March 2015

(f) Financial Instruments

Financial assets

There are four categories of financial assets and the Group classified its investments in the following two categories: loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after balance date which are classified as non-current assets. These are classified as receivables and investments within the statement of financial position.

Available for sale financial assets

Available for sale financial assets are non-derivatives, principally equity securities, that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. The Group's available for sale financial assets were its investments, which comprised of First East Auction Holdings Pty Ltd and S.A. Unit Trust, as detailed at note 13. All investments were initially recognised at fair value plus transaction costs. As no active market existed for the securities in either First East Auction Holdings Pty Ltd or S.A. Unit Trust and fair value could not be reliably measured, the investments are held at cost thereafter. All Group investments have been divested during the current financial year.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Financial assets are recognised net of impairment losses, which are recognised immediately in profit or loss. The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets are impaired. Financial assets with objective evidence of impairment, such as a deterioration in the credit worthiness of the counterparty, are tested for impairment by comparing the carrying value to the recoverable amount. Financial assets are derecognised when the right to receive cash flows has expired or has been transferred.

(g) Inventory

Inventory is valued at the lower of cost or net realisable value. When collections are initially purchased they are held at cost. As an item is described, lotted, and allocated a value for cataloguing cost is estimated to be 30% of the expected net realisable value. After inventory has been through a defined number of cycles the unsold inventory is valued at a net realisable value of nil.

(h) Property, Plant & Equipment

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.

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

Motor vehicles 30% DV

Rates applied to 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 cost 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 diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Mowbray Collectables Limited

Statement of Accounting Policies For the year ended 31 March 2015

(i) Intangible Assets

Intangible assets comprise software applications and websites which have a finite useful lives, and trademarks which have indefinite useful lives. They are recorded at cost less accumulated amortisation and impairment. The following rates have been applied consistently over the life of the assets.

Software 48% - 60% DV

Trademarks 0% DV

Websites 50% - 60% DV

(j) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets 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 profit or loss and is not subsequently reversed.

(k) 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.

Intangible assets not yet available for use or with indefinite lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 profit or loss immediately.

(l) 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.

(m) Payables

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payable are usually paid within 30 days, they are carried at face value.

(n) Employee Benefits

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

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

The Group contributes to a defined contribution plan which is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the profit or loss in the period during which services are rendered to employees.

(o) Loans

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

Subsequent to initial recognition, loans are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate.

Mowbray Collectables Limited

Statement of Accounting Policies
For the year ended 31 March 2015

(p) Leased Assets

Operating lease payments (net of incentives received from lessors) are recognised as an expense on a straight-line basis over the lease term.

A deferred lease incentive is a payment received from a landlord to a Group entity to incentivise that group entity to enter into a lease with that landlord. Deferred lease incentives are recognised as income over the term of the lease (excluding any right of renewal periods).

(q) Statement of Cash Flows

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

(r) Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operates
- is part of a single co-ordinated plan to dispose of separate major line of business or geographical are of operations; or
- is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

(s) Share Capital

Ordinary shares are classified as capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

Mowbray Collectables Limited

**Notes to the Financial Statements
For the year ended 31 March 2015**

	CONSOLIDATED	
	Year Ended	Year Ended
	31-Mar	31-Mar
	2015	2014
	\$	\$
1. Total Revenue		
Auction commission	1,864,687	1,547,581
Dividend received	360	-
Foreign exchange gain	37,030	92,480
Gain on sale of investment	14,250	-
Lease exit inducement (one-off)	325,000	-
Other revenue	66,894	-
Operating revenue	<u>2,308,221</u>	<u>1,640,061</u>
Interest income	<u>3,384</u>	<u>22,785</u>
	<u>2,311,605</u>	<u>1,662,846</u>
2. Other Expenses		
Included in Other Expenses are the following expenses:		
Audit fees (Note 5)	122,000	70,000
Bad debts	-	-
Directors' fees	75,000	59,266
Foreign exchange loss	-	53,294
Legal fees	89,561	37,207
Loss on disposal of property, plant & equipment	139,210	-
Operating lease rental expenses	347,262	146,326
Donations made	1,000	135
Restructure costs	50,000	-
Sundry	604,017	223,168
	<u>1,428,050</u>	<u>589,396</u>
3. Employee Benefit Expense		
Included in Employee benefit expense are the following expenses:		
Wages & salaries	1,317,687	700,436
Defined contribution plan	42,748	29,507
Severance costs	208,500	-
	<u>1,568,935</u>	<u>729,943</u>
4. Taxation		
<i>(a) Taxation recognised in the statement of comprehensive income</i>		
Taxation (expense)/income comprises		
Current tax (expense)/income	-	38,805
Deferred (tax)/income relating to the origination and reversal of temporary differences	(161,400)	(77,942)
Total tax (expense)/income	<u>(161,400)</u>	<u>(39,137)</u>
Continuing operations	(114,889)	42,123
Discontinued operations	(46,511)	(81,260)
Total tax (expense)/income	<u>(161,400)</u>	<u>(39,137)</u>

Mowbray Collectables Limited

**Notes to the Financial Statements
For the year ended 31 March 2015**

Income/(Loss) from continuing operations	(2,771,161)	(483,884)
Taxation refund/(expense) calculated at 28%	775,923	135,488
Gross up dividend from investment	(38)	(23,129)
Imputation credits received	137	82,603
Non-deductible expenses	(380,364)	(102,923)
Non-taxable income	4,987	-
Income recognised for income tax purposes	(4,748)	-
Prior year tax losses utilised	4,784	47,928
Deferred tax not recognised	(384,047)	(26,079)
Deferred tax assets no longer recognised	(114,889)	-
Group loss offsets with discontinued operations	(16,634)	(71,765)
Total tax (expense)/income relating to continuing operations	<u>(114,889)</u>	<u>42,123</u>

(b) Current tax assets and liabilities

Current tax liability / (assets):

Tax refund payable / (receivable)	<u>(35,331)</u>	<u>(148,315)</u>
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(c) Deferred tax balances

Deferred tax asset comprise:

Temporary differences	<u>-</u>	<u>159,531</u>
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Taxable and deductible temporary differences arise from the following:

	Opening balance	CONSOLIDATED 2015 Charged to income	Exchange differences	Closing balance
Deferred tax assets:				
Employee entitlements	64,196	(64,196)	-	-
Income tax losses	65,927	(67,729)	1,802	-
Other expenses	29,408	(29,475)	67	-
	<u>159,531</u>	<u>(161,400)</u>	<u>1,869</u>	<u>-</u>

	Opening balance	Charged to income	Exchange differences	Acquired on Consolidation	Closing balance
Deferred tax assets:					
Employee entitlements	46,554	(10,699)	-	28,341	64,196
Income tax losses	160,359	(79,473)	(14,959)	-	65,927
Other expenses	17,419	12,231	(242)	-	29,408
	<u>224,332</u>	<u>(77,941)</u>	<u>(15,201)</u>	<u>28,341</u>	<u>159,531</u>

(d) Imputation credit account balances

	CONSOLIDATED Year Ended 31 March 2015	Year Ended 31 March 2014
	\$	\$
Balance at beginning of the year	275,381	174,936
Imputation credits attached to dividends received	-	82,603
Imputation credits attached to dividends paid	-	(86,765)
Taxation paid	35,467	111,975
Taxation refunded	(147,119)	(7,368)
Other debits/(credits)	(20)	-
Balance at end of the year	<u>163,709</u>	<u>275,381</u>

(e) Deferred tax balances not recognised

Deferred tax assets not recognised comprise:

Income tax losses and unrecognised temporary differences	<u>595,006</u>	<u>136,035</u>
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The Directors have reviewed the deferred tax assets and based on the management forecasts are of the view that it is not probable that they are recoverable in the future, therefore all tax losses and temporary differences have been treated as deferred tax assets not recognised.

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

5. Remuneration of Auditors

	CONSOLIDATED	
	Year Ended 31 March 2015	Year Ended 31 March 2014
	\$	\$
Audit of the financial statements	122,000	70,000
	<u>122,000</u>	<u>70,000</u>

Staples Rodway Auckland is auditor of Mowbray Collectables Limited and Group.

No other audit fees were paid in respect of any group entity.

6. Share Capital

	CONSOLIDATED			
	Year Ended 31 March 2015		Year Ended 31 March 2014	
	Number	\$	Number	\$
Group				
Ordinary Shares – Authorised, issued and fully paid				
Balance at beginning of year	12,755,523	6,617,309	11,155,523	5,852,809
Shares issued during the year	-	-	1,600,000	800,000
Costs of raising new share capital	-	-	-	(35,500)
Share capital at end of year	<u>12,755,523</u>	<u>6,617,309</u>	<u>12,755,523</u>	<u>6,617,309</u>

On 8 November 2013, the Company issued 1,600,000 shares at \$0.50 per share in order to raise capital for the Peter Webb Galleries acquisition.

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.

7. Inventory

	CONSOLIDATED	
	Year Ended 31-Mar 2015	Year Ended 31-Mar 2014
	\$	\$
Auction inventory held at cost	113,940	690,436
Auction inventory held at 30% of estimated realisable value	-	761,464
WWF Chapters on hand	-	147,274
Total Inventory	<u>113,940</u>	<u>1,599,174</u>

As noted in the accounting policies inventory is valued at the lower of cost or net realisable value. Once inventory has been described, lotted, and catalogued the Company has determined that cost approximates 30% of estimated realisable value. The Company believes that 30% of estimated realisable value reflects both the initial cost of the inventory plus the value that is added to it by internal processes. All inventory that was held at 30% of its estimated realisable value now forms a part of the disposal group and has been included in Disposal Assets Held for Sale.

8. Other Payables and Accruals

	CONSOLIDATED	
	Year Ended 31-Mar 2015	Year Ended 31-Mar 2014
	\$	\$
Other payables and accruals	287,676	261,784
Employee entitlements	42,198	229,275
Restructure provision	50,000	-
Total other payables and accruals	<u>379,874</u>	<u>491,059</u>

Mowbray Collectables Limited

Notes to the Financial Statements
For the year ended 31 March 2015

9. Loans

	CONSOLIDATED	
	Year Ended	Year Ended
	31-Mar	31-Mar
	2015	2014
	\$	\$
Total loans owing:		
Loan from ANZ Bank	-	118,338
Loan from Westpac Bank	-	711,112
Loan from BNZ	900,000	-
	<u>900,000</u>	<u>829,450</u>
Repayable as follows:		
ANZ Bank - 1005	-	118,338
Westpac Bank	-	227,443
BNZ	117,963	-
Current	<u>117,963</u>	<u>345,781</u>
Westpac Bank	-	483,669
BNZ	782,037	-
Non-Current	<u>782,037</u>	<u>483,669</u>
Total	<u>900,000</u>	<u>829,450</u>

BNZ Bank

Repayment: \$14,670 per month starting in July 2015

Interest Rate: 6.86%

Security: First Priority General Security

Agreement over all assets of Peter Webb Galleries Limited and a guarantee from Mowbray Collectables Limited

Westpac Bank was repaid in full in December 2014.

ANZ Bank was repaid in full in July 2014.

Mowbray Collectables Limited

Notes to the Financial Statements
For the year ended 31 March 2015

10. Property, Plant & Equipment

	CONSOLIDATED				
	Leasehold Improvements	Office furniture and plant & equipment	Motor vehicles	Computer equipment	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 April 2013	67,156	115,879	-	47,169	230,204
Additions	2,394	556	-	5,072	8,022
Acquired on consolidation	592,152	117,933	153,010	101,375	964,470
Foreign exchange movement	-	(1,191)	-	-	(1,191)
Disposals	-	-	(25,351)	(10,330)	(35,681)
Balance at 31 March 2014	661,702	233,177	127,659	143,286	1,165,824
Additions	402,540	69,083	-	12,358	483,981
Transfer to disposal group assets held for sale	-	(99,694)	-	(32,360)	(132,054)
Disposals	(663,053)	(59,549)	(100,000)	(65,317)	(887,919)
Balance at 31 March 2015	401,189	143,017	27,659	57,967	629,832
Accumulated depreciation					
Balance at 1 April 2013	51,560	93,696	-	45,139	190,395
Depreciation expense	6,121	11,907	4,271	9,224	31,523
Acquired on consolidation	470,853	70,556	120,704	72,093	734,206
Foreign exchange movement	-	(131)	-	-	(131)
Disposals	-	-	(24,521)	(9,487)	(34,008)
Balance at 31 March 2014	528,534	176,028	100,454	116,969	921,985
Depreciation expense	12,538	11,312	4,386	9,164	37,400
Transfer to disposal group assets held for sale	-	(86,824)	-	(31,853)	(118,677)
Foreign exchange movement	-	(120)	-	-	(120)
Disposals	(524,866)	(46,079)	(87,415)	(51,258)	(709,618)
Balance at 31 March 2015	16,206	54,317	17,425	43,022	130,970
Net book value					
As at 31 March 2014	133,168	57,149	27,205	26,317	243,839
As at 31 March 2015	384,983	88,700	10,234	14,945	498,862

11. Intangible Assets

	CONSOLIDATED			
	Trademarks	Website	Software	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at 1 April 2013	-	-	33,913	33,913
Additions	2,734	-	-	2,734
Acquired on consolidation	1,400	98,782	20,492	120,674
Balance at 31 March 2014	4,134	98,782	54,405	157,321
Additions	536	114,878	4,700	120,114
Disposal	-	(18,933)	(12,000)	(30,933)
Transfer to disposal group	-	-	(38,613)	(38,613)
Balance at 31 March 2015	4,670	194,727	8,492	207,889
Accumulated amortisation				
Balance at 1 April 2013	-	-	33,563	33,563
Amortisation expense	-	1,170	525	1,695
Acquired on consolidation	-	92,004	16,901	108,905
Balance at 31 March 2014	-	93,174	50,989	144,163
Amortisation expense	-	2,740	3,064	5,804
Disposal	-	(18,717)	(11,976)	(30,693)
Transfer to disposal group	-	-	(35,190)	(35,190)
Balance at 31 March 2015	-	77,197	6,887	84,084
Net book value				
As at 31 March 2014	4,134	5,608	3,416	13,158
As at 31 March 2015	4,670	117,530	1,605	123,805

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

12. Goodwill

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
Gross carrying amount		
Balance at beginning of year	2,815,065	696,472
Goodwill acquired on consolidation of Peter Webb Galleries Limited	-	2,118,593
Balance at end of year	<u>2,815,065</u>	<u>2,815,065</u>
Accumulated impairment losses		
Balance at beginning of year	-	-
Impairment losses for the year	<u>1,321,472</u>	<u>-</u>
Balance at end of year	<u>1,321,472</u>	<u>-</u>
Net book value		
As at 31 March 2014	<u>2,815,065</u>	<u>2,815,065</u>
As at 31 March 2015	<u>1,493,593</u>	<u>2,815,065</u>

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to six 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
- Peter Webb Galleries Limited

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

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
J R Mowbray Philatelist	-	240,393
John Mowbray International	-	61,429
House of Stamps	-	63,550
Wildlife Philatelic Collections Pty Limited	-	314,070
World Wide Fund for Nature Stamp Program	-	17,030
Peter Webb Galleries Limited	<u>1,493,593</u>	<u>2,118,593</u>
	<u>1,493,593</u>	<u>2,815,065</u>

30 September 2014 Impairment Calculations

Due to the poor trading of the individual cash generating units over the six month period ended 30 September 2014, and the necessary restructuring that is required within the Group's business units the Board believed indicators of impairment existed and tested the goodwill balances for impairment at 30 September 2014.

Each cash generating unit which carried goodwill prepared a discounted cash flow on a value-in-use basis. They used their past experience of sales, growth, operating costs and margin, and external sources of information where appropriate, to determine their expectations for the future.

These cash flow projections were based on the management's best estimates approved by the directors. Cash flows beyond the five year period were extrapolated using estimated terminal growth rates of 3% per annum. The cash flows are discounted using a nominal rate of 20.4% before tax. The valuation models used are most sensitive to changes in the terminal year earnings and cash flows.

The Group business units all faced particular challenges into the future. In Peter Webb Galleries these were predominantly in the short term. For the Mowbray Bethunes business units these challenges consist of consistency of trading, and considering whether ownership within a public company was still appropriate, particularly in the areas of inventory valuation, audit costs, and compliance costs.

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

Due to the deterioration in the trading conditions during this period and the challenges to all business units' sustainable earnings, the group impaired the goodwill of each cash generating unit.

31 March 2015 Impairment Calculations

Due to the impending sale of the Mowbray Bethunes Limited and Wildlife Philatelic Collections Pty Limited businesses for an amount equivalent to their net tangible assets the group further impaired the Wildlife Philatelic Collections Pty Limited goodwill to nil.

Goodwill impairments for the year were as follows:

	Six Months Ended 30-Sep 2014 \$	Six Months Ended 31-Mar 2015 \$	Year Ended 31-Mar 2015 \$
JR 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	272,000	42,070	314,070
World Wide Fund for Nature Stamp Program	17,030	-	17,030
Peter Webb Galleries Limited	625,000	-	625,000
	<u>1,279,402</u>	<u>42,070</u>	<u>1,321,472</u>

Description of residual cash generating unit and assumptions used to assess impairment

Peter Webb Galleries Limited

This cash generating unit comprises the businesses of Peter Webb Galleries and Webbs Fine Wines (which was amalgamated into Peter Webb Galleries on 30 September 2014). 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 pre-tax discount rate of 20.4% (2014: 20.4%).

Cash flows beyond March 2020 have been extrapolated using a steady growth rate of 3% (2014: 3%) for all cash generating units.

For the Peter Webb Galleries Limited cash generating unit, the cash flow projections have been tested for sensitivity. A 15% negative variance in forecast cash flows will result in no further impairment. Negative variances greater than 15% may result in further impairment being required.

13. Investments

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
Name of Company		
<i>Current</i>		
<i>Available for sale</i>		
S.A. Unit Trust - Units	-	265,710
Buddybid Limited - Shares	-	750
<i>Loans & Receivables</i>		
S.A. Unit Trust - Loan	-	213,652
	<u>-</u>	<u>480,112</u>

The reporting date of Buddybid Ltd is 31 March. Buddybid Ltd is incorporated in New Zealand and the company operates a Facebook based auction system. The Group had a 4.00% interest in Buddybid Limited. The Company sold its interest in Buddybid Limited during the year for \$15,000.

The reporting date of SA Unit Trust is 30 June. The investment is in the nature of a unit trust. The trustee, ACN 147 723 475 Pty Limited is a company incorporated in Australia. The unit trust owns 100% of the two subsidiaries that trade as Sotheby's Australia and Bay East. The investment in the SA Unit Trust is a combination of units and loans. The company sold its units and loans in September 2014 for AUD396,708. This resulted in a loss on sale of \$48,694.

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

14. Related Parties

(a) Parent Entities

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

(b) Equity interests in related parties

Details of the percentage of ordinary shares is as follows:

	Country of Incorporation	Shareholding	
		2015	2014
Mowbray Bethunes Limited	New Zealand	100%	100%
Mowbrays Australia Pty Limited	Australia	100%	100%
Wildlife Philatelic Collections Pty Limited	Australia	100%	100%
Peter Webb Galleries Limited	New Zealand	100%	100%

(c) Transactions

Transactions with parties related to the Group are as follows:

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
Management Fee Expense		
Barlow International Pty Limited - for services to Wildlife Philatelic Collections Pty Limited	(7,906)	(15,022)
Elevation Capital Management Limited - for services to Peter Webb Galleries Limited	(100,000)	-
Fulfilment Service Expense		
Barlow International Pty Limited	(46,464)	(55,122)
Rent Expense		
Barlow International Pty Limited	(23,980)	(25,198)
J.R. Mowbray	(119,172)	(120,466)
Advances		
J.R. Mowbray	-	(13,953)
Total transactions	(297,522)	(229,761)

The Parent made no purchases from subsidiaries.

There are instances when directors and companies within the Group buy and sell 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 each business. The commission amounts involved are not significant.

During the year the executive director received the following remuneration: JR Mowbray \$169,750 (2014: \$194,000).

Barlow International Pty Limited is a related party by virtue of common directorship with one of the group subsidiary entities, Wildlife Philatelic Collections Pty Limited.

Elevation Capital Management Limited is controlled by Christopher Swasbrook, a director of Mowbray Collectables Limited. Elevation Capital Management Limited has provided management services to Peter Webb Galleries Limited. This arrangement was formally approved by shareholders at the Special General Meeting of 24 June 2015.

The premises in Otaki that are used by the Group are owned by or leased from entities associated with Company director John Mowbray. Rent was set by an independent valuer. The lease ceased on 31 March 2015.

The Group holds two agency agreements with Children's Health Camp (CHC) and New Zealand Post (NZ Post) respectively.

In December 2014 the Directors announced their intention to instigate a formal sales process for the stamps, coins, and bank notes businesses operated by Mowbray Bethunes Limited and Wildlife Philatelic Pty Limited. The formal sales process eventuated in a sale to the Executive Director, John Mowbray. This transaction will be settled on 30 June 2015. This has been disclosed further in notes 15 and 26.

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

During 2015 no intercompany balances between group entities were impaired. During 2014 the Group impaired the balance owed by First East Auction Holdings Pty Limited to Auction Investments Limited (\$37,743) to nil due to the recoverability of the balance. No other provisions for impairment are required.

(d) Directors Fees

Fees paid to directors during the year were as follows:

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
<i>For Mowbray Collectables Limited</i>		
Murray Radford (Chairman)	27,000	25,307
Ian Halsted	18,000	20,632
Christopher Swasbrook	15,000	7,077
	<u>60,000</u>	<u>53,016</u>
<i>For Peter Webb Galleries Limited</i>		
Ian Halsted (Director)	15,000	6,250
Total for Group	<u>75,000</u>	<u>59,266</u>

15. Discontinued Operations

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
Revenue	2,162,256	2,355,700
Expenses	(2,179,591)	(2,084,871)
Net profit/(loss) before taxation	(17,335)	270,829
Taxation (expense)/benefit	(46,511)	(81,260)
Net (loss) after taxation	<u>(63,846)</u>	<u>189,569</u>

The business operations of Mowbrays Australia Pty Limited were sold during 2011. In accordance with NZ IFRS 5 the net profit after tax has been separately disclosed in the Statement of Comprehensive Income as discontinued operations.

In December 2014 the Directors announced their intention to instigate a formal sales process for the stamps, coins, and bank notes businesses operated by Mowbray Bethunes Limited and Wildlife Philatelic Pty Limited. The formal sales process eventuated in a sale to the Executive Director, John Mowbray. In accordance with NZ IFRS 5, the net profit after tax of Mowbray Bethunes Limited and Wildlife Philatelic Pty Limited has been separately disclosed in the Statement of Comprehensive Income as discontinued operations.

16. Earnings Per Share

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

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
Surplus/(deficit) from continuing operations	(2,886,050)	(441,761)
Surplus/(deficit) from discontinuing operations	(63,846)	189,569
Weighted average number of ordinary shares	12,755,523	11,822,190
Earnings/(loss) per share (cents) (continuing operations)	(22.63)	(3.74)
Earnings/(loss) per share (cents) (discontinued operations)	(0.50)	1.60
Total earning/(loss) per share (cents)	(23.13)	(2.13)
Distributions to shareholders	-	223,110
Dividend per share (cents)	-	2.00

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

17. Operating Leases

Future minimum lease payments

CONSOLIDATED	
Year Ended	Year Ended
31-Mar	31-Mar
2015	2014
\$	\$

Commitments in respect of non-cancellable operating leases in relation to property:

Not later than one year	285,151	402,608
Later than one year and not later than two years	276,356	398,947
Later than two years and not later than five years	825,984	1,026
Greater than five years	2,098,750	-
	<u>3,486,241</u>	<u>802,581</u>

Amounts recognised in profit or loss

CONSOLIDATED	
Year Ended	Year Ended
31-Mar	31-Mar
2015	2014
\$	\$
<hr/>	<hr/>
347,262	456,968

18. Segment Information

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

The Group had three main reportable segments, two discontinued and one continuing:

Peter Webb Galleries segment – This represents the Peter Webb Galleries auction business which trades as Webb's.

Auction segment – These divisions and subsidiaries are involved in the purchase and processing of philatelic and numismatic material for both postal and public auction, and auction art, wine and artefacts. In New Zealand an international public auction is held annually for the sale of the Group's own material and on behalf of vendors. The postal auction process involves the Group's own purchased and processed product. This segment became a disposal unit held for sale during 2015.

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. This segment became a disposal unit held for sale during 2015.

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. The Australian operations became disposal units held for sale during 2015, therefore no geographical segment reporting is required as all continuing operations are based in New Zealand.

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.

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. Non-current assets other than financial instruments, and deferred tax assets held outside of the New Zealand geographical segment are not material for financial reporting purposes.

Mowbray Collectables Limited

Notes to the Financial Statements
For the year ended 31 March 2015

REPORTABLE SEGMENTS	CONSOLIDATED		Total
	Peter Webb Galleries segment	All other segments	
	2015 \$	2015 \$	2015 \$
Revenue			
Auction commission	1,864,687	-	1,864,687
Sundry Revenue	400,470	43,064	443,534
Operating Revenue	2,265,157	43,064	2,308,221
Employee benefits	1,376,673	192,262	1,568,935
Finance income	29	3,355	3,384
Finance cost	17,237	81,178	98,415
Depreciation (note 9)	33,645	-	33,645
Amortisation (note 10)	4,375	-	4,375
Impairment	625,000	696,472	1,321,472
Segment surplus/(deficit) before taxation from continuing operations	(1,541,128)	(1,230,033)	(2,771,161)

REPORTABLE SEGMENTS	CONSOLIDATED		Total
	Peter Webb Galleries segment	All other segments	
	2014 \$	2014 \$	2014 \$
Revenue			
Auction commission	1,547,581	-	1,547,581
Sundry Revenue	-	92,480	92,480
Management Fees	-	-	-
Operating Revenue	1,547,581	92,480	1,640,061
Employee Benefits	439,928	290,015	729,943
Finance income	59	22,726	22,785
Finance cost	6,699	63,547	70,246
Depreciation (note 9)	24,144	-	24,144
Amortisation (note 10)	1,527	-	1,527
Associate profit	-	6,461	6,461
Impairment	-	42,677	42,677
Segment surplus/(deficit) before taxation from continuing operations	160,939	(644,823)	(483,884)

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

19. Net Cash Flow from Continuing Operating Activities

Reconciliation of surplus/(deficit) with net cash flow from continuing operating activities:

	CONSOLIDATED	
	Year Ended	Year Ended
	31-Mar	31-Mar
	2015	2014
	\$	\$
Surplus/(Deficit) from continuing operations	(2,886,050)	(441,761)
Non cash items:		
Depreciation	33,645	24,144
Amortisation	4,375	1,527
Loss on sale pf property, plant & equipment	139,210	-
Impairment	1,321,472	42,677
Foreign exchange (gain)/loss	(29,572)	(26,097)
Deferred tax asset	114,890	(45,129)
Gain on sale of investment	(14,250)	-
Associate share of net (surplus)/deficit	-	(6,461)
	1,569,770	(9,339)
Movements in working capital		
(Increase)/decrease in inventories	1,208	10,308
(Increase)/decrease in receivables & prepayments	1,987,742	(1,041,669)
Increase/(decrease) in payables	(2,238,021)	1,360,943
Increase/(decrease) in other payables & accruals	17,260	27,248
(Increase)/decrease in tax refundable	113,814	(115,050)
	(117,997)	241,780
Net cash inflow/(outflow) from continuing operating activities	(1,434,277)	(209,320)

20. Financial Instruments

The Group is party to financial instrument arrangements as part of its everyday operations. These include instruments such as cash & cash equivalents, receivables and trade creditors.

Fair Values

As all financial instruments are either short term, carried at market interest rates (cash and cash equivalents, bank overdraft, term loans), or carried at cost (as it approximates fair value) as provided by the relevant accounting standard, the Directors are of the view that the fair value of all financial instruments is equivalent to their carrying value disclosed in the statement of financial position.

Currency Risk

The Group is exposed to foreign exchange risk as a result of offshore funding activities and transactions denominated in foreign currencies, arising from normal trading activities. The foreign exchange risk in relation to trading by the New Zealand group companies is immaterial, however transactions undertaken by Wildlife Philatelic Collections Pty Limited and Mowbrays Australia Pty Limited are predominantly denominated in Australian dollars.

In addition to ordinary trading Wildlife Philatelic Collections Pty Limited loaned the Parent funds denominated in Australian dollars which subjected the Parent to foreign exchange risk on this loan.

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

The following table shows the impact on post-tax profit and equity if the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Group has foreign currency risk with all other variables held constant.

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
<i>Profit or loss</i>		
Strengthened by 10%	6,687	5,673
Weakened by 10%	(8,173)	(6,935)
<i>Other comprehensive income</i>		
Strengthened by 10%	(10,604)	(78,620)
Weakened by 10%	13,004	96,090

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

Interest Rate Risk

The Group has one loan and two bank overdraft facilities that will incur interest. The parent has an overdraft facility with ANZ Bank New Zealand Limited and Peter Webb Galleries Limited has a loan and overdraft facility with Bank of New Zealand. The term loan has a short term fixed interest rate; the overdrafts have floating interest rates. The Directors consider that they have mitigated their exposure to interest rate risk by utilising a mix of fixed and floating interest rates. The Group does not have a specific policy in respect of the mix of fixed and floating interest rates.

The following table shows the impact on profit/(loss) for the year and equity of a movement in bank interest rates of 2.0% higher/lower with all other variables held constant.

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
<i>Profit or loss</i>		
Market Interest Rates Decrease by 2%	18,287	9,081
Market Interest Rates Increase by 2%	(18,287)	(9,081)
<i>Other comprehensive income</i>		
Market Interest Rates Decrease by 2%	18,287	9,081
Market Interest Rates Increase by 2%	(18,287)	(9,081)

Liquidity risk

Liquidity risk is the risk that assets held by the Group cannot readily be converted to cash to meet the Group's contracted cash flow obligations. Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining sufficient cash, or the availability of funding through an adequate amount of committed credit facilities. The tables below analyse the Group's financial liabilities, into relevant maturity groupings based on the earliest possible contractual maturity date at the year end date. The amounts in the tables below are contractual undiscounted cash flows, which include interest through to maturity.

	Statement of Financial Position \$	Contractual Cash Flows \$	12 Months or Less \$	1 to 2 Years \$	2 Years + \$
<i>Consolidated for year ended 31 March 2015</i>					
Trade creditors	357,296	357,296	357,296	-	-
Secured bank facilities	1,515,896	1,678,619	805,302	232,722	640,595
	<u>1,873,192</u>	<u>2,035,915</u>	<u>1,162,598</u>	<u>232,722</u>	<u>640,595</u>
	Statement of Financial Position \$	Contractual Cash Flows \$	12 Months or Less \$	1 to 2 Years \$	2 Years + \$
<i>Consolidated for year ended 31 March 2014</i>					
Trade creditors	2,835,957	2,835,957	2,835,957	-	-
Secured bank facilities	1,403,708	1,472,344	1,002,820	287,448	182,076
	<u>4,239,665</u>	<u>4,308,301</u>	<u>3,838,777</u>	<u>287,448</u>	<u>182,076</u>

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

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.

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 the deficit of retained earnings. Group capital totals \$1,100,044 (2014: \$4,086,529). To maintain or alter the capital structure, the Group has the ability to review or cease dividends being paid to shareholders, return capital to shareholders, issue new shares, reduce or increase debt, or sell assets.

The Parent has no externally imposed bank financial covenants with ANZ Bank New Zealand Limited at this time. Peter Webb Galleries Limited has covenants imposed by Bank of New Zealand following the drawdown of the debt to refinance Westpac. As at balance date Peter Webb Galleries Limited is compliant with its bank covenants.

There have been no changes to capital management policies from the previous year.

21. Subsequent Events

Subsequent to balance date the Company sold its interest in Mowbray Bethunes Limited and Wildlife Philatelic Collections Pty Limited to interests associated with John Mowbray as disclosed in note 26. This was approved by special resolution of shareholders.

There have been no other material events subsequent to balance date.

22. Commitments for Capital Expenditure

There were no commitments for expenditure as at 31 March 2015 (2014: \$Nil)

23. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets at 31 March 2015 (2014: \$Nil)

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

24. Acquisition of Peter Webb Galleries Limited

On 1 November 2013 Mowbray Collectables Limited acquired the remaining 50.67% of Peter Webb Galleries Limited it did not own. Peter Webb Galleries Limited is in the business of operating an auction house and was acquired to diversify the Group's activities.

The goodwill of \$2,118,513 arising from the acquisition is attributable to Peter Webb Galleries presence in the auction market. The goodwill is not deductible for income tax.

The following table summarises the consideration paid for Peter Webb Galleries Limited, the fair value of assets acquired, and liabilities assumed at acquisition date. The Group recognised a gain on acquisition of Peter Webb Galleries Limited totalling \$139,755.

	Year Ended 31-Mar 2014 \$
<i>Consideration transferred</i>	
Cash	1,391,017
Fair value of equity interest in Peter Webb Galleries Limited before the business combination	1,354,231
Total consideration transferred	2,745,248
<i>Recognised amounts of identifiable assets acquired and liabilities assumed</i>	
Bank Accounts	423,117
Debtors	1,023,506
Prepayments	127,047
Inventory	125,456
Related party receivables	1,500
Creditors	(1,118,807)
Accruals	(206,095)
GST payable	(18,564)
Income tax payable	(879)
Property, plant & equipment (net of accumulated depreciation)	230,264
Deferred tax asset	28,341
Intangible Assets	11,769
Total identifiable net assets	626,655
Goodwill acquired	2,118,593
Total consideration	2,745,248

25. Deferred Lease Inducement

	CONSOLIDATED	
	Year Ended 31-Mar 2015 \$	Year Ended 31-Mar 2014 \$
Total lease inducement:		
Deferred lease inducement	241,987	-
	<u>241,987</u>	<u>-</u>
Realisable as follows:		
Current	19,231	-
Non-Current	222,756	-
Total	241,987	-

During the 2015 year Peter Webb Galleries Limited entered into a lease for premises in Falcon Street, Parnell. As a condition of the lease being accepted, the landlord contributed \$250,000 towards the fit-out of the premises. This amount has been recognised as leasehold improvements within property, plant and equipment. The contribution from the landlord is recognised as a deferred lease inducement which is amortised over the term of the lease (excluding renewal periods).

Mowbray Collectables Limited

Notes to the Financial Statements For the year ended 31 March 2015

26. Disposal of Mowbray Bethunes and Wildlife Philatelic Collections

In December 2014 the Directors announced their intention to instigate a formal sales process for the stamps, coins, and bank notes businesses operated by Mowbray Bethunes Limited and Wildlife Philatelic Pty Limited. The formal sales process eventuated in a sale to the Executive Director, John Mowbray. In accordance with NZ IFRS 5, the assets and liabilities relating to Mowbray Bethunes Limited, Wildlife Philatelic Pty Limited, and specific Mowbray Collectables Limited liabilities have been separately disclosed in the Statement of Financial Position as Disposal Group Assets or Liabilities Held for Sale.

The purchase price was agreed between the non-interested directors and John Mowbray to be the aggregate net tangible asset value of Mowbray Bethunes Limited and Wildlife Philatelic Pty Limited as at 31 March 2015, being \$950,000. This valuation was based on the un-audited book values of the assets of Mowbray Bethunes Limited and Wildlife Philatelic Pty Limited and was consistent with the valuation approach recommended to the sub-committee of independent directors by BDO.

The terms of the sale to John Mowbray's nominated entity are as follows:

- Cash payment of \$950,000
- Settlement on 30 June 2015

Specific assets and liabilities subject to the sale:

	Mowbray Bethunes	Wildlife Philatelic	Mowbray Collectables	Total
	As at 31-Mar 2015 \$	As at 31-Mar 2015 \$	As at 31-Mar 2015 \$	As at 31-Mar 2015 \$
<i>Assets classified as disposal group held for sale</i>				
Bank accounts	57,811	23,183	-	80,994
Debtors	35,008	26,414	-	61,422
Prepayments	26,945	-	-	26,945
Inventory	1,061,619	81,847	-	1,143,466
Property, plant & equipment	10,416	2,961	-	13,377
Identifiable intangible assets	3,423	-	-	3,423
	<u>1,195,222</u>	<u>134,405</u>	<u>-</u>	<u>1,329,627</u>
<i>Liabilities classified as disposal group held for sale</i>				
Creditors	167,337	80,875	-	248,212
Accruals	7,737	-	125,395	133,132
	<u>175,074</u>	<u>80,875</u>	<u>125,395</u>	<u>381,344</u>
Total consideration	<u>1,020,148</u>	<u>53,530</u>	<u>(125,395)</u>	<u>948,283</u>

As noted in the accounting policies inventory is valued at the lower of cost or net realisable value. Once inventory has been described, lotted, and catalogued the Company has determined that cost approximates 30% of estimated realisable value. The Company believes that 30% of estimated realisable value reflects both the initial cost of the inventory plus the value that is added to it by internal processes. All inventory that was held at 30% of its estimated realisable value now forms a part of the disposal group and has been included in Disposal Assets Held for Sale. Inventory held at a percentage of NRV is \$737,000 for 2015.

27. Going Concern

The considered view of the directors of Mowbray Collectables Limited is that, after making due enquiry there is a reasonable expectation that the Group have adequate resources to continue operations at existing levels for the next twelve months from the date of these financial statements. The directors consequently believe that the going concern assumption is a valid basis on which to prepare the financial statements.

Upon settlement of the sale of the stamp, coin and bank note businesses, the group's remaining asset is the subsidiary Peter Webb's Galleries Limited (trading as Webb's). As has previously been advised, Webb's is experiencing difficult trading conditions and has embarked on further cost cutting initiatives to deal with the volatility in trading in its markets. Should these cost cutting initiatives not be successful, or the company not generate its forecast revenue the going concern assumption may not be valid.

The sale mentioned above will provide funds to retire all parent company debt and leave the Group with a cash balance of \$100,000 (of which \$75,000 is a cash deposit held as a bond for NZX) and bank debt of \$1.15 million, comprising \$900,000 of term debt and \$250,000 of overdraft for Webb's. The directors wish to highlight that in assuming a going concern status, that assumption is based on the parent company raising new capital via a share placement or rights issue prior to the end of August 2015. The details of proposals will be provided at the annual meeting of shareholders scheduled for 31 July 2015 at Webb's premises in Parnell, Auckland. Before then, the company intends to nominate new directors and present a new strategy plan for the company.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. If the Group was unable to continue in operational existence, and pay debts as and when they become due and payable, adjustments to the asset values would be required as the assets would need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as going concerns.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MOWBRAY COLLECTABLES LIMITED

Report on the Consolidated Financial Statements

We were engaged to audit the accompanying consolidated financial statements of Mowbray Collectables Limited and its Subsidiaries (together 'the Group') on pages 4 to 29, which comprise the consolidated statement of financial position of the Group as at 31 March 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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 financial statements based on conducting the audit in accordance with International Standards on Auditing (New Zealand). Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Basis for Disclaimer of Opinion

During the year the Group recorded impairment losses of \$696,472 pertaining to the cash generating units of the stamp business (see note 12 for details). These impairment losses were based on management's projections as at 30 September 2014 taking into account the Group's trading to that date. We have not been able to obtain sufficient appropriate audit evidence to support the impairment losses recorded. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Included in the deficit from discontinued operations in the Statement of Comprehensive Income are movements in inventory, including write-downs, of \$272,000. As at 31 March 2015, the Group has an inventory balance of \$1,143,466 included within the disposal group assets held for sale in the Statement of Financial Position (see Note 26 for details). Due to the limitation in records in relation to this inventory, we were unable to undertake adequate audit procedures to determine whether these movements were accurately recorded. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

As at 31 March 2015, the Group has an auction inventory balance of \$737,000 (2014: \$761,464) included within the disposal group assets held for sale in the Statement of Financial Position, which represents 67% (2014: 19%) of the Group's net assets. This inventory balance has been recorded at a percentage of its estimated realisable value rather than cost. We were unable to obtain sufficient appropriate audit evidence on whether the carrying value of the auction inventory in the Statement of Financial Position and the related amount recorded in the Statement of Comprehensive Income met the requirements of New Zealand Equivalent to International Accounting Standard 5 – Non-current Assets Held for Sale and Discontinued Operations, which requires assets in a disposal group to be measured at the lower of carrying amount (cost) and fair value less cost to sell. The Directors could not provide us with sufficient appropriate audit evidence to support their view that the valuation approach was a reasonable estimate of cost. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements on pages 4 to 29.

Emphasis of Matter

Notwithstanding our disclaimer of opinion, we draw attention to Note 27 in the financial statements, which indicates that the validity of the going concern assumption is dependent on the Group's ability to operate within their forecasted cash flows by achieving its cost cutting initiatives, generating its forecast revenue and raising new capital. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. If the Group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position and that the Group may have to provide for further liabilities that might arise and reclassify non-current liabilities as current liabilities.

A handwritten signature in black ink that reads "Staples Rodway". The signature is written in a cursive, flowing style.

**STAPLES RODWAY AUCKLAND
AUCKLAND**

30 June 2015

Mowbray Collectables Limited

Statutory and Shareholder Information For the year ended 31 March 2015

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.
C. G. Swasbrook was appointed a director on 18 November 2013.

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 10 May 2015.

<i>Name</i>	<i>Number of Voting Securities</i>
J. R. Mowbray	5,083,131
J. I. Urquhart Family A/C	1,430,000
New Zealand Central Securities Depository Limited	1,025,593
SIL Long Term Holdings Limited	800,000

At 4 May 2014 the total issued voting securities was 12,755,523.

Largest Shareholders

The names of the 20 largest shareholders and their holdings as at 10 May 2015 were:

<i>Name</i>	<i>Number of</i>	<i>Percentage</i>
J. R. Mowbray	5,083,131	39.85%
J. I. Urquhart Family A/C	1,430,000	11.21%
New Zealand Central Securities Depository Limited	1,040,113	8.15%
SIL Long Term Holdings Limited	801,000	6.28%
Goodson & Perron Family Trust	579,268	4.54%
Sir R. Brierley	560,000	4.39%
Walker and Hall Fine Gifts Limited	520,000	4.08%
S. M. Mowbray & R. A. Oldham	339,129	2.66%
Forsyth Barr Custodians Limited	129,600	1.02%
J. S. S. Richardson	125,000	0.98%
M. C. Radford	120,000	0.94%
C. Biggs	118,324	0.93%
Bottom Drawer Limited	107,900	0.85%
R. A. Brierley	100,000	0.78%
Dagger Nominees Limited	83,466	0.65%
R. J. Gillatt	69,385	0.54%
APS Investments Limited	69,337	0.54%
B. A. Paradine	52,000	0.41%
PCS Investment Nominees Limited	50,600	0.40%
R. J. Dunlop & J. M. Dunlop	50,000	0.39%
Total	<u>11,428,253</u>	<u>89.59%</u>

Mowbray Collectables Limited

Statutory and Shareholder Information For the year ended 31 March 2015

Spread of Shareholders

The spread of shareholders as at 10 May 2015 was:

<i>Holding Range</i>	<i>No. of</i>	<i>Total Shares</i>	<i>Percentage</i>
1 - 1,000	24	14,887	0.12%
1,001 - 5,000	156	314,171	2.46%
5,001 - 10,000	42	307,586	2.41%
10,001 - 100,000	41	1,165,414	9.14%
100,001 - 5,000,000	13	10,953,465	85.87%
Total	<u>276</u>	<u>12,755,523</u>	<u>100.00%</u>

Directors' Relevant Interests

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

	2015 No of Shares	2014 No of Shares
J. R. Mowbray		
Opening balance	5,083,131	4,765,060
Movements	-	318,071
Sale of shares	-	-
Closing balance	<u>5,083,131</u>	<u>5,083,131</u>
I. J. Halsted		
Opening balance	34,375	34,375
Movements	-	-
Sale of shares	-	-
Closing balance	<u>34,375</u>	<u>34,375</u>
M.C. Radford		
Opening balance	120,000	120,000
Movements	-	-
Sale of shares	-	-
Closing balance	<u>120,000</u>	<u>120,000</u>
C. Swasbrook		
Opening balance	-	-
Movements	-	-
Sale of shares	-	-
Closing balance	<u>-</u>	<u>-</u>

Note 1

In the 2015 year, J.R. Mowbray's shareholding did not change.
In the 2014 year, J.R. Mowbray purchased shares as a part of the capital raising to acquire Peter Webb Galleries Limited.
In addition he has a beneficial interest of 49,500 shares.

Note 2

In the 2015 year, I.J Halsted's shareholding did not change.
In addition he has a beneficial interest of 126,500 shares.

Note 3

In the 2015 year, M.C Radford's shareholding did not change.

Note 4

C. Swasbrook does not hold any shares.

Mowbray Collectables Limited

Statutory and Shareholder Information **For the year ended 31 March 2015**

Directors' Remuneration

Directors' remuneration during the year was M. C. Radford \$25,000, I. J. Halsted \$35,000 (being directors fees from Mowbray Collectables Limited and as director of Peter Webb Galleries Limited), and C.G. Swasbrook \$15,000.

J. R. Mowbray, as managing director, received a salary of \$169,750.

Directors' and Officers' Composition

As at 31 March 2015 the gender composition of the directors and officers was:

Directors: four males and no females

Officers: two males and no females.

Employees' Remuneration

During the year the following numbers of employees received remuneration of at least NZ\$100,000.

	2015	2014
\$100,001 - \$110,000	1	-
\$110,001 - \$120,000	-	1
\$140,001 - \$150,000	1	-
\$160,001 - \$170,000	1	-
\$190,001 - \$200,000	1	1
Total	<u>4</u>	<u>2</u>

Corporate Governance

The Board of Directors of Mowbray Collectables Limited (Mowbray) is elected by shareholders to provide leadership and strategic direction that will enhance the value of the group and enable it to grow. The directors recognise that good corporate governance is essential and the Board is committed to ensuring that the company meets best practice governance principles and maintains high ethical standards.

Mowbray complies with the corporate governance principles set out in the NZX “Corporate Governance Best Practice Code”. The company also complies with the principles of the Commerce Commission “Corporate Governance in New Zealand Principles and Guidelines”.

The company has adopted a Corporate Governance Code that includes a Code of Ethics, an Audit Committee Charter, a Remuneration Committee Charter and a Nomination Committee Charter.

Responsibilities of the Board and Management

Mowbray’s Board is responsible for setting the company’s strategic direction with the ultimate goal being to enhance the value of Mowbray’s assets and business in the best interests of both the company and its shareholders.

The Board’s role includes:

- review and approval of strategies, plans and budgets
- approving major investments and divestments
- monitoring the financial performance of the company in a consistent and timely manner
- approval of half-year and annual financial statements
- the appointment and review of the Managing Director
- review of the group’s governance policies and processes

The Board has delegated the responsibility for day-to-day operation, administration, and implementation of strategies and the achievement of budgets to the Managing Director, John Mowbray, and his management team.

Board of Directors

The Board currently comprises three non-executive directors including the Chairman and one executive director (the Managing Director). The Board has determined in accordance with NZX listing rule 3.3.3, that Murray Radford, Chris Swasbrook and Ian Halsted are independent directors of the company.

The profile of the directors can be found on page 37.

In accordance with NZX listing rule 3.3.11, at least one third, or the number nearest to one third of the total number of directors (except the Managing Director who is appointed by the Board) retire by rotation at each annual meeting. The directors who retire are those who have been longest in office since their last election or re-election. Directors retiring by rotation are eligible for re-election at that meeting.

Board Committees

Mowbray is a small company and as a consequence requires a small Board comprising only three independent directors. Many of the tasks of committees usually associated with larger Boards are undertaken by the full Board and are recorded in the minutes accordingly. Clause 3.1 of the Corporate Governance Code permits two or more committees to be amalgamated for convenience. Accordingly,

the roles of the Remuneration Committee and the Nomination Committee are performed by the Board, and there is only one formally constituted committee, the Audit Committee.

Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to the integrity of Mowbray's financial reporting, internal control and auditing activities.

The current members of the Audit Committee are Ian Halsted (Chairman), Murray Radford and Chris Swasbrook. Murray Radford, a qualified chartered accountant, Ian Halsted, and Chris Swasbrook are non-executive directors.

The committee meets regularly and at least twice a year with the external accountants and at least annually with the auditors. These meetings are to enable the committee members to review their work and to satisfy themselves that they are discharging their respective responsibilities adequately. The committee is also required to review the nature and extent of the other services provided by the independent auditors and to confirm that the auditors' independence has not been impaired. It is a policy of the Board that the auditors have unrestricted access to the Audit Committee and it is a standard practice for the committee to invite the auditors to meet with the independent directors in the absence of executives.

Board Meetings

The Board has regular scheduled meetings each year and also meets as and when required, often by teleconference, to deal with any specific matters that may arise between scheduled meetings.

All directors attended all Board meetings that were held during the year.

Remuneration of Directors

Shareholders resolved at the last annual meeting that the total remuneration to be paid to the non-executive directors be fixed at a sum not exceeding \$60,000 per annum, such sum to be divided amongst them in such proportions and in such a manner as they determine. The directors advise that the total remuneration paid to non-executive directors for the year ended 31 March 2015 was \$60,000 by Mowbray Collectables Limited, and \$15,000 to Ian Halsted as director of Peter Webb Galleries Limited.

The remuneration package of the executive director who is not entitled to receive any remuneration in his capacity as a director, is fixed by the non-executive directors. The executive director does not participate in discussion determining his own remuneration packages.

Share Trading By Company Directors and Officers

The company is committed to complying with all legal and statutory requirements regarding insider trading. Trading in Mowbray securities by directors and management must comply with the:

- Company's Code of Conduct for Securities Trading.
- New Zealand legislation and the company's security trading rules prevent short term trading and dealing in the company's securities while directors and senior executives are in possession of non-public material and relevant information.

A schedule of director's beneficial and non-beneficial holding of Mowbray shares is included on page 33.

Company Directory

Board of Directors

Murray Radford BCA, CA – Chairman

Murray is Chairman and a shareholder of the company, holding 120,000 shares. He is a business and financial consultant and 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.

John Mowbray BCA – Managing Director

John is the largest shareholder of the company, holding 5,083,131. 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 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.

John is a director of Peter Webb Galleries Ltd.

Ian Halsted – Director

Ian is a director and shareholder in the company, holding a direct and indirect interest in 160,875 shares. He is a director of Peter Webb Galleries Ltd.

Previous positions include Managing Director of Hedley Byrne NZ Ltd, Managing Director of Hallenstein Glasson Holdings Ltd, a Director of Hallenstein Bros Ltd and Mr Chips Holdings Ltd. He is a Past President of the NZ Retailers Federation and has served on the Board of several private companies.

Christopher Swasbrook BCom (Economics) – Director

Christopher is an independent director of the company. He is also chairman and a director of Peter Webb Galleries Limited.

Christopher is currently Managing Director of Elevation Capital Management Limited a global funds management company (which he founded) based in Auckland. He is also a member of the NZ Markets Disciplinary Tribunal and the NZX Listing Sub-Committee as well as a Trustee & Director of the Te Tuhi Contemporary Arts Trust in Auckland.

Directors

John Reader Mowbray
54 Winara Avenue Waikanae

Ian Jeffrey Halsted
19A Lucerne Road
Remuera Auckland

Murray Charles Radford
10/B Central Terrace
Kelburn
Wellington

Christopher Swasbrook
1 Akaroa Street
Parnell
Auckland

Registered Office

247-253 Main Highway Otaki

Communication Addresses

Postal: Private Bag 63000 Wellington, 6140

Telephone: (06) 364 8270

Facsimile: (06) 364 8252

E-mail: mowbray.stamps@xtra.co.nz

Website: www.mowbraycollectables.co.nz

Bankers

ANZ

BNZ

Auditor

Staples Rodway
Auckland

Accountants

BDO Wellington Limited

Lawyers

Duncan Cotterill, Wellington

Share Registrar

Link Market Services
PO Box 384
Ashburton

MOWBRAY COLLECTABLES LTD



As this is the last annual report of Mowbray Collectables before it changes its name to Bethunes Investments Ltd (NZX code BIL), and MOW disappears from the NZX Board following the sale of the stamp, coin and bank note businesses with the Mowbray name transferring to Philcoin Investments Ltd, it seems an appropriate time to reflect on the past 14 years.

Much has changed since 2001 when Mowbray Collectables was the first company listed on the "New Capital Markets", and later moved to the NZX Main Board. In hindsight and with the adoption of the International Financial Reporting Standards this was probably inappropriate and has led to the difficulties of valuing the stamp inventory as now required.

The intention to grow into a larger company than just the original philatelic business based in Otaki was achieved to some extent with the company purchasing Stanley Gibbons Australia (100%), Bonhams & Goodman (20%) and Peter Webb Galleries Limited (trading as Webb's) (49%). Bonhams & Goodman subsequently became Sotheby's Australia and further capital was provided for a 25% shareholding. However, in common with many other New Zealand companies, the entry into Australia and the part-ownership model was not conducive to shareholder returns and the investments were eventually sold. Webb's became 100% owned in 2013.

Total auction hammer sales of the Mowbray Collectables Group (now wholly-owned) was in excess of \$18 million in 2013. Despite this, the group failed to generate sufficient profits to grow the business. In the past two years it has struggled to meet increasingly onerous overhead costs incurred as a public company and the cost of poor performing investments have had a negative effect on the company's share price.

When the 2014 accounts were "qualified" by the company's auditor, Staples Rodway Auckland, due to stamp inventory valuation issues, the situation became untenable for a public company and the decision was made to divest the stamp, coin and bank note businesses. The divestment was approved by shareholders on 24 June 2015. Mowbray Collectables Ltd will change its name to Bethunes Investments Ltd with the one remaining asset, Peter Webb Galleries Limited. As mentioned elsewhere in this report, a plan for the future will be presented at the annual shareholders meeting in September.

To the shareholders, staff, directors and clients who have supported Mowbray Collectables for the past 14 years, I give my heartfelt thanks and regret that I have not been able to achieve the success for you we all so keenly sought on listing.

I wish Bethunes Investments Limited well under its new management team led by Christopher Swasbrook of Elevation Capital, and like all shareholders, look forward to a more successful outcome than we have had to date.

Sincerely,
John Mowbray