



MOWBRAY
COLLECTABLES

Mowbray Collectables Limited

Notice of Special Meeting & Explanatory Memorandum

December 2000

This is important information for Mowbray Collectables Limited shareholders. If you have sold your Mowbray Collectables Limited shares, please pass this Notice of Special Meeting on to the broker through whom you made the sale requesting that they forward the document to the new Mowbray Collectables Limited shareholder.

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Notice of Special Meeting

Notice is given that a meeting of Mowbray Collectables Limited ("the Company") will be held at Turnbull House, Bowen Street, Wellington on Monday, 18 December 2000 at 10.30 am for the purpose of considering, and if thought fit passing, the following shareholder resolutions:

1 As a Resolution of the Minority pursuant to clause 30 of Schedule 1 of the constitution of the Company and Listing Rule 12.7.1:

That a transaction ("the Key Transaction") whereby the Company acquires the stamp, rare book and associated businesses carried on in New Zealand, Australia and elsewhere by John Mowbray and his associated interests ("the Mowbray Business") (including all acquisitions of assets, guarantees, borrowing or assumption of liabilities involved in or connected with that transaction) by way of acquisition of shares in companies that own part of the Mowbray Business, and by acquisition of assets and liabilities of an agency that is part of the Mowbray Business for an aggregate consideration of \$2.1 million be approved as the Key Transaction.

2 As a special resolution pursuant to section 129 of the Companies Act 1993, providing resolution 1 has been passed by the required majority:

- a) That a major transaction (the Key Transaction) whereby the Company acquires the Mowbray Business be approved;
- b) That the consideration for the acquisition of the Mowbray Business be satisfied by a payment of cash of \$300,000 and by the issue of the shares referred to in resolution 3; and
- c) The board of directors of the Company ("the Board") is empowered on behalf of the Company to enter into a sale and purchase agreement with John Reader Mowbray to effect the Key Transaction.

3 As a Resolution of the Minority pursuant to clause 29 of Schedule 1 of the constitution of the Company and Listing Rules 7.5 and 12.5.5(c)(ii), providing resolutions 1 and 2 have been passed by the required majority:

That the Board be authorised to issue, as consideration for the acquisition of the Mowbray Business, 3,600,000 ordinary shares at an issue price of \$0.50 per share, those shares to rank equally in all respects with the existing ordinary shares of the Company.

Explanatory Notes to the Resolutions

1 Approval by Resolution of the Minority

The constitution of the Company (clause 30 of Schedule 1) and the Listing Rules of the Stock Exchange (Rule 12.7.1) require that a Resolution of the Minority be obtained before the Company enters into a Key Transaction.

The constitution (clause 29 of Schedule 1) and the Listing Rules (Rules 7.5 and 12.5.5) also

require that there be a Resolution of the Minority to approve any issue of shares in conjunction with a Key Transaction which is likely to result in a material increase of control of the Company.

A "Resolution of the Minority" is an ordinary resolution (passed by 50% of the votes of those shareholders entitled to vote and voting) of all shareholders of the Company other than directors and officers of the Company, the beneficial owners of any shares that are held subject to transfer restrictions under Listing Rule 12.6.1 and holders of 20% or more of the shares in the Company, and associated persons of such persons, except if acting as proxies or representatives of shareholders entitled to vote. As at the date of this document, the Board has determined that this excludes from voting 1,110,000 shares in the Company being shares held by the directors and associated persons, and holders of 20% or more of the shares in the Company.

Resolutions 1 and 3 will satisfy both these constitution and Listing Rules requirements. For more detailed information about the Key Transaction, refer to the explanatory memorandum contained in this Notice of Special Meeting.

2 Approval by Special Resolution

Section 129 of the Companies Act 1993 requires that a special resolution of shareholders (passed by 75% of the votes of those shareholders entitled to vote and voting) be obtained before the Company acquires assets or incurs liabilities the value of which is more than the value of the Company's assets before the transaction. The acquisition of the Mowbray Business will exceed these thresholds.

Resolution 2 will satisfy this requirement. For more detailed information about the acquisition of the Mowbray Business refer to the explanatory memorandum contained in this Notice of Special Meeting.

3 Voting/Proxy Form

The accompanying Voting/Proxy Form should be used to vote on the resolutions at the Special Meeting.

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

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

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

By order of the Board



John Mowbray

Chairman

1 December 2000

Explanatory Memorandum

Introduction

This Special Meeting is being held to invite Shareholders to consider and approve the purchase by the Company of the stamp, rare book and associated businesses owned by John Mowbray ("the Key Transaction"), which was foreshadowed in the prospectus and investment statement issued by the Company in April 2000.

The directors unanimously recommend the Key Transaction. The directors are not permitted to vote on the resolutions but urge shareholders to vote in support either in person or by proxy.

The Company

Mowbray Collectables Limited was incorporated under the Companies Act 1993 on 22 February 2000.

The Company was formed as an NCM issuer and has obtained listing on the New Zealand Stock Exchange ("Stock Exchange") with that designation.

The directors of the Company are:

John Reader Mowbray
Ian Jeffrey Halsted
Murray Charles Radford

The directors have appointed John Mowbray as chairman and managing director of the Company. Refer to page 17 for the disclosure of directors' interests.

Pursuant to the prospectus and investment statement dated 7 April 2000, the Company issued 1,200,000 ordinary shares to the public at a price of \$0.50 per share. Prior to that, the Company issued 1,100,000 shares to the directors at \$0.25 per share, and 525,000 non-transferable options to directors and to the organising broker, Forsyth Barr Ltd.

The shares issued to the directors have restricted rights of disposal in accordance with Stock Exchange Listing Rule 12.6.1. The options are to subscribe for ordinary shares at a price of \$0.50 per share and are non-transferable. The options granted to the directors must be exercised before 20 April 2003, or earlier in circumstances where the holder ceases to be a director. The options granted to Forsyth Barr Ltd must be exercised before 20 October 2001. All shares and options were issued/granted in compliance with Listing Rules 12.1.1, 12.5.3 and 12.5.4.

The number of shares and options issued, and the issued capital of the Company is:

	No. of Shares	No. of Options	Issued Capital
John Mowbray	800,000	115,000	200,000
Ian Halsted	100,000	115,000	25,000
Murray Radford	200,000	115,000	50,000
Forsyth Barr Ltd	-	180,000	-
Public shareholders	1,200,000	-	600,000
Total	2,300,000	525,000	\$875,000

Since incorporation, the Company has not traded. The funds from the issue of the shares after payment of formation, prospectus, Stock Exchange and professional costs are held on interest bearing deposit with The National Bank of New Zealand. No fees or expenses have been paid to directors.

The Key Transaction

The Company has negotiated a conditional sale and purchase agreement with John Mowbray to acquire all the shares in the companies and the New Zealand agency of the World Wide Fund for Nature Stamp Program that comprise the Mowbray Business. The agreement is conditional on shareholder approval of the resolutions in this Notice of Special Meeting.

As the Key Transaction primarily involves the purchase of shares in companies rather than the purchase of business assets, the sale and purchase agreement contains appropriate and commercially prudent warranties from John Mowbray.

The consideration for the Key Transaction is \$2.1 million to be satisfied by the issue by the Company of 3,600,000 ordinary shares in the Company at an issue price of \$0.50 per share and a payment of \$300,000 in cash. After this issue of shares to John Mowbray, and his transfer of shares referred to on page 19, his total shareholding in the company will be approximately 4,018,000 shares representing 68% of the total shares on issue.

The directors are of the opinion that because the prospectus and investment statement dated 7 April 2000 foreshadowed this Key Transaction, and due to the current weakness of the share market, and the relatively small volume of shares traded since listing, particularly when compared with the number of shares to be issued, an issue price of \$0.50 is a fair and appropriate price for the issue of shares as consideration.

The Mowbray Business comprises:

- J. R. Mowbray Philatelist Limited
- House of Stamps Limited
- Stanley Gibbons New Zealand Limited (trading as John Mowbray International)
- World Wide Fund for Nature Stamp Program (New Zealand agency)
- Wildlife Philatelic Collections Pty Limited
- Bethunes Rare Books Limited

Information on the above is contained in the next section.

The directors of the Company instructed Deloitte Touche Tohmatsu, Chartered Accountants, to prepare an indication of value of the Mowbray Business to assist the two independent directors (Ian Halsted and Murray Radford) to establish a fair purchase price for the Mowbray Business. A summary of that indication of value is contained in the letter to the directors from Deloitte Touche Tohmatsu on page 22.

In summary, the indication of value was prepared using the capitalisation of EBIT (earnings before interest and tax) method adjusted for external liabilities to be assumed by the Company. It should be noted that the indication of value is calculated on the capitalisation of assessed maintainable earnings, which are based primarily on historical earnings rather than on forecast earnings. Deloitte Touche Tohmatsu has assessed the value of the Mowbray Business to be in the range of \$1,823,500 to \$2,026,500 at 31 July 2000.

The independent directors have reviewed past trading information and have relied on representations made to them by John Mowbray as to current trading, future opportunities and forecasts. After consideration of this information and the indication of value from Deloitte Touche Tohmatsu, and an addition of an allowance for earnings since 31 July 2000, the independent directors have negotiated a purchase price of \$2.1 million with John Mowbray, subject to the approval by shareholders.

The Mowbray Business

The Mowbray Business is:

- the largest stamp auctioneering business in New Zealand, and one of significant size within Australasia,
- the largest book auctioneering business in New Zealand,
- a mail order house promoting the sale of New Zealand stamps and philatelic accessories,
- the agent in New Zealand for several stamp products,
- the agent in both New Zealand and Australia for the World Wide Fund for Nature Stamp Program for the direct marketing of wildlife stamps.

The companies use the marketing techniques developed by John Mowbray over 30 years to sell collectables world wide. Comprehensive mailing lists are held. Over recent years an internet website has been established to encourage further sales of stamps and philatelic products, and participation in the stamp and book auctions. The companies are at the centre of a major communications network linking collectors, major dealers and auction houses the world over. Approximately 55% of the combined sales of the group are to customers outside New Zealand.

The following is more specific information on the activities of the various companies.

J. R. Mowbray Philatelist Ltd

The company, the cornerstone of the Mowbray group, was formed in 1972 and is New Zealand's largest stamp dealer. With a staff of seven and a world wide list of some 6,000 customers (50% overseas) it is probably the largest buyer of postage stamps in New Zealand.

Through monthly postal auctions, stamps are sold to collectors and dealers throughout the world. The auction catalogue is mailed to over 3,000 clients and fully displayed on the internet (www.mowbrays.co.nz). Buyers bid by mail, telephone, facsimile and email. 60% to 70% of the sales are exported. Extensive use is made of computers including systems developed specifically for the company's operations.

Highlights of the company's success over the years include:

- | | |
|------|--|
| 1973 | First postal auction |
| 1978 | John Mowbray becomes the first member of the New Zealand Stamp Dealers Association to hold an auctioneer's licence |
| 1980 | First New Zealand company to have a trade stand at the prestigious London International Stamp Exhibition, held once every 10 years |
| 1981 | Regional Winner and National Finalist of the Air New Zealand Enterprise Awards |
| 1983 | John Mowbray elected President of the NZ Stamp Dealers Association |
| 1985 | 100th postal auction |
| 1989 | John Mowbray elected President of the International Federation of Stamp Dealers Associations |
| 1997 | 250th postal auction. Over 24 years, some 250,000 auction lots had been sold for in excess of \$10 million. |
| 1998 | A world record price of \$125,000 was achieved for a New Zealand stamp in the sale of a 1903, 4d Lake Taupo invert stamp. |
| 1998 | Over 15,000 mail orders in 14 days in the Princess Diana stamp promotion |
| 2000 | Only New Zealand dealer with a trade stand at the prestigious London International Stamp Exhibition |

In the last few years, the company has had trade stands at international exhibitions including Hong Kong, Taipei, Singapore, Thailand, Beijing and USA (Anaheim and San Francisco).

The company owns all the shares in Stanley Gibbons New Zealand Ltd (trading as John Mowbray International). The activities of that company are explained below.

The company is the sales agent for and administrator of the Tokelau Philatelic Bureau.

House of Stamps Ltd

The company is a mail order retailer of New Zealand stamps and philatelic accessories.

It holds agencies for the import and distribution of Stanley Gibbons, Davo and Prinz products.

It is the sales agent for the Children's Health Camp Foundation's first day stamp covers.

The company has extensive mailing lists and promotes sales also through associated Mowbray companies.

The company's website features a complete listing of New Zealand stamps with a "shopping basket" order form. This is the most extensive list on any New Zealand dealer's website.

John Mowbray International (Stanley Gibbons New Zealand Ltd)

Since 1993, the company has held an annual international stamp auction.

It now trades under the "John Mowbray International" name which more accurately reflects its owner and allows internet marketing (not permitted using the previous "Stanley Gibbons" name under licence from London).

The annual international stamp auction is by far New Zealand's largest public stamp auction. The seventh auction in 1999 achieved record sales of \$630,000. That was surpassed in the recent October auction when new record lots, bids and estimates gained sales of \$790,000.

The company is wholly owned by J. R. Mowbray Philatelist Ltd.

World Wide Fund for Nature Stamp Program

Wildlife Philatelic Collections Pty Ltd

The exclusive New Zealand agency for this international stamp program has been held by John Mowbray personally since 1985 from the World Wide Fund for Nature ("WWF") under licence from Groth AG, Switzerland.

The exclusive Australian agency has been held by Wildlife Philatelic Collections since 1990.

The WWF stamp product is a unique and successful collectable series of stamps issued with first day covers and specially prepared binder pages and fact sheets, known as "Wildlife Chapters". Distributed monthly by mail in 10 languages to 26 countries, each year up to 16 countries issue legal tender WWF stamps featuring endangered species of wildlife.

From time to time one-off promotions have been held to grow the loyal subscriber base. In 1998, an important promotional link was established with Australia Post following the launch of the Australian Birds WWF stamp.

The WWF stamp program is the most successful continuity mail order stamp product developed anywhere in the world. Together the two agencies account for 10% of world wide subscriptions for the WWF product and have provided royalties to WWF of some \$700,000.

Consent for the transfer of the agencies to the Company has been obtained from the licensor.

Bethunes Rare Books Ltd

In 1999, John Mowbray formed the company to purchase the rare book auction business from J. H. Bethune Ltd, established in 1877. Over the last century J. H. Bethune Ltd established a world wide reputation for the auctioning of rare books, prints and antique maps. Bethunes is now located in the recently restored Otaki Railway Station.

The first auction since purchase was held in May 2000 and achieved record results. In September 2000, the second auction was held and was similarly successful.

Three auctions are planned per year and will benefit significantly from both the support and marketing assistance offered by John Mowbray and his companies and the use of the world wide web for expansion of sales and reaching new areas of revenue growth.

The company is well positioned to build rapidly on its reputation and long tradition as New Zealand's largest book auction house.

Company Management

John Mowbray BCA, Chairman & Managing Director

John started stamp collecting at 8 years of age. By age 16, he was selling stamps through advertisements in the Weekly News. This small sales base in 1963 led to a business selling packets of stamps to book stores country wide. The shift to Otaki in 1974 sought to reduce costs but soon John turned to small mail bid auctions of surplus stocks to help cash flow.

It became obvious this was the future of the business, and by 1979 John Mowbray was holding public auctions of stamps in Wellington. He was the first stamp dealer to hold an auctioneer's licence.

In 1983, John was elected President of the NZ Stamp Dealers Association. In 1989 he was elected the President of the International Federation of Stamp Dealers Associations, the first person from an English speaking country in 30 years to hold this post. The same year John was appointed a director of Stanley Gibbons in London, to represent the interests of the 29% shareholder, Brierley Investments. He resigned in 1995 when the company was taken over.

In 1991, John was appointed a director of Stanley Gibbons Australia Pty Ltd when he and Sir Ronald Brierley purchased the business. His interest in this company is not part of the Key Transaction.

Stanley Gibbons New Zealand Ltd was formed in 1993 by John to hold annual international philatelic auctions. The company now trades as John Mowbray International and is part of the Key Transaction.

John is currently an executive member of the Auctioneers Association of NZ, board member of Wanganui Collegiate School, trustee of Walkanae Montessori Pre-School; and Patron of both Walkanae Rugby Football Club, and Kapiti Philatelic Society.

Brent Longhurst BCA, ACA, Administration Manager

Brent joined the company in 1995 after an extensive background, including some senior roles with a large New Zealand corporate. He has considerable experience in the fields of accounting, audit and computing.

Brent has played a key role in expanding the use of computers for business and administrative functions within the group. In particular, he developed the database application that is an integral part of the successful running of the premier annual John Mowbray International auction.

Christopher Burt BSc (Hon), Philatelic Assessor

Chris joined the company in 1993. He has had a life time interest in stamp collecting and is highly regarded in the industry for his philatelic knowledge. He applies his science research qualifications to develop his philately competence and skills.

Chris maintains the ever-expanding extensive reference library held by the company.

Dick Wheeler BSc, MEngSc (NSW), Dip Public Admin, Philatelic Assessor

Dick joined the company in 1996 after a career in the Public Service.

A long time specialist philatelist, and past member of the RPSNZ, he supports the monthly postal and annual international auction house activities.

Wayne Cottle BA, Manager, House of Stamps Ltd

Wayne joined the company in 1999 after working for the Whitcoulls / Blue Star Group, gaining experience in both retailing and computer retail systems.

Wayne has overseen the establishment of a website for House of Stamps, and the implementation of computer invoicing and stock controls.

Peter Trewern, Manager, Bethunes Rare Books Ltd

Peter joined the company this year as Manager of Bethunes Rare Books Ltd on its relocation to Otaki.

After 20 years in the Public Service, the last 10 in information technology project management, Peter has taken the opportunity to follow his love of books and book collecting. In the mid 1980's he opened his first retail shop in Wellington and since then has developed a growing interest in retailing and marketing rare and hard-to-find items.

Andrew Pitt, Managing Director, Wildlife Philatelic Collections Pty Ltd

Since 1990, Andrew has been the managing director of Wildlife Philatelic Collections, based in Australia. He is the owner of Barlow International Pty Ltd, which provides contract management to the company.

Andrew attributes the company's success to strategic marketing campaigns and a commitment to nurture an on-going relationship with subscribers. His concern for environmental issues and fascination with collectables is his motivation for continued association with the company.

An early business venture for Andrew was trading football cards in the school playground as a 10 year old. Today his company, Barlow International, specialises in fulfilment services and business solutions to a variety of clients, including Women's Day magazine and The Daily Telegraph.

Andrew's community contributions include artistic encouragement at Surry Hills Childcare Centre and fulfilment services for the National Board of the Surfrider Foundation.

Financial Information

Statements of Financial Position

The following are the Statements of Financial Position of the Company before the Key Transaction, of the Mowbray Business (the businesses being acquired in the Key Transaction) and of the Company after the Key Transaction, subject to Note 2 below.

	Pre-acquisition Mowbray Collectables at 31 July 2000 (unaudited) \$	Pre-acquisition Mowbray Business at 31 July 2000 (audited) \$	Post-acquisition Group 31 July 2000 (unaudited) \$
EQUITY			
Share capital	875,000	345,230	2,675,000
Realised capital reserve	-	32,686	-
Accumulated income	-90,000	184,213	-90,000
Total Equity	785,000	562,129	2,585,000
Represented by:			
CURRENT ASSETS			
Bank accounts	811,509	-	159,712
Accounts receivable	13,032	207,249	220,281
Inventory	-	1,211,307	1,211,307
Total Current Assets	824,541	1,418,556	1,591,300
CURRENT LIABILITIES			
Bank overdraft	-	66,805	-
Accounts payable	39,541	441,692	481,233
Taxation payable	-	48,601	48,601
Related party payables	-	61,000	61,000
Shareholder current accounts	-	148,448	-
Total Current Liabilities	39,541	766,546	590,834
WORKING CAPITAL	785,000	652,010	1,000,466
NON CURRENT ASSETS			
Fixed assets	-	46,663	46,663
Intangible assets	-	-	1,537,871
Total Non Current Assets	-	46,663	1,584,534
NON CURRENT LIABILITIES			
Loans	-	136,544	-
Total Non Current Liabilities	-	136,544	-
NET ASSETS	785,000	562,129	2,585,000

Notes to the Statements of Financial Position

The Statement of Financial Position of the businesses that comprise the Mowbray Business has been audited as at 31 July 2000 by Deloitte, Touche Tohmatsu (refer to the audit report on page 20) and should be read in conjunction with the Statement of Accounting Policies and Notes on the following pages.

In regard to the post-acquisition Statement of Financial Position it should be noted that:

1. The total shares on issue after the Key Transaction is 5,900,000 ordinary shares.
2. The bank account is after repayment of non current liabilities and the shareholder current accounts.

Statement of Accounting Policies

Reporting Entity

The Mowbray Group, being the entities that comprise the Mowbray Business, includes the following entities:

J. R. Mowbray Philatelist Limited
House of Stamps Limited
Stanley Gibbons New Zealand Limited (trading as John Mowbray International)
World Wide Fund for Nature Stamp Program (New Zealand agency)
Wildlife Philatelic Collections Pty Limited
Bethunes Rare Books Limited

Basis for Preparation

The accounting principles recognised as appropriate for the measurement and reporting of financial position on a historical cost basis are followed by the group, except as noted below:

Specific Accounting Policies

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

Accounts Receivable

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

Inventories

All purchased unprocessed stock is valued at cost in New Zealand dollars.
Stock in the auction system is valued at 30% of its estimated selling value, except stock that has been offered for sale in four auctions, which is written off.
Modern New Zealand stamps are valued at 80% of face value.
Promotional products are written off once the promotion is completed.
New Zealand Post Year Books are valued at 50% of face value.
An obsolescence provision of 20% is applied to stock items over 3 years old.

Property, Plant and Equipment

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

Depreciation

Depreciation has been calculated using the following rates:

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

Goods and Services Tax

The financial report has been prepared on a GST exclusive basis. Unpaid/(overpaid) GST at balance date is included in current liabilities/(current assets). Receivables and payables are disclosed inclusive of GST if applicable.

Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date.

Taxation

Taxation charged against profits for the year is the estimated liability for both current and deferred taxation, adjusted by the amount of any under or over provision of taxation in respect of prior years.

Differential Reporting

The entity qualifies for differential reporting as it is not publicly accountable and there is no separation between owners and the governing body. The entity has taken advantage of all available differential reporting exemptions.

Inventory

	31 July 2000
	\$
Rotating auction stock (at 30% of estimated selling price)	308,742
Purchased material	214,032
Year books	10,811
Stock greater than 3 years old	87,200
Stock in transit	56,518
Other	59,605
Accessories	128,551
WWF Chapters on hand	341,359
Books on hand	4,489
	<hr/>
Total Stock on Hand	\$1,211,307

Overdraft

Overdraft - J. R. Mowbray Philatelist Limited.

The overdraft is secured by a personal guarantee from J. R. Mowbray and J. C. Mowbray. Interest is charged at a margin above base rate. At 31 July the base rate was 10.95%, the margin was 4% for the first \$50,000 and 15% on any balance thereafter.

Overdraft - Bethunes Rare Books Limited.

The interest charge is based on a floating overdraft interest rate. At 31 July 2000 the interest rate was 13.45%.

Related Party Payables

This is payable to the Tokelau Philatelic Bureau, which is an agency of the Tokelau Government and is responsible for the administration and publication of Tokelau stamps. J. R. Mowbray Philatelist Limited is contracted by the Tokelau Government to carry out the function of the Bureau and earns a commission in accordance with the contract.

Shareholder Current Accounts

Shareholder current accounts that are in credit attract no interest charged to the company. Shareholder current accounts that are in debit attract an interest rate equal to the prevailing Inland Revenue Department Fringe Benefit interest rate. At 31 July 2000 the interest rate was 8.10%.

Loans

National Bank of New Zealand	\$105,038
AMP	\$31,506

The above loans are secured by assets owned by a company outside of the Mowbray Group, personal guarantees and life policies. The interest rates as at 31 July 2000 were from 8.75% to 9.5%.

Commitments

There are no known commitments at 31 July 2000

Contingencies

There are no known contingencies at 31 July 2000

Financial Forecast

The following are a statement of maintainable earnings, calculated by Deloitte Touche Tohmatsu, based on historical earnings, and the directors' forecast of earnings.

The Mowbray Business comprises a number of different entities that have different balance dates, different accounting policies and have not needed previously to produce consolidated accounts.

In the indication of value, Deloitte Touche Tohmatsu analysed trading over the last three years to establish "maintainable earnings before interest and tax". The figure below for Operating Earnings before Tax of \$502,000 is the mid-point of the range of \$490,000 to \$515,000 stated in paragraph 5.1 of the valuation report on page 23 as being the range of assessed maintainable earnings.

The forecast is based on current and expected trading over the next 12 months.

	Maintainable Earnings 12 months	Forecast Earnings 12 months
	\$	\$
Operating Revenue	2,862,000	3,160,000
Operating Earnings before Tax	502,000	570,000
Taxation on Operating Earnings	-160,000	-190,000
Net Operating Earnings	342,000	380,000
Unusual expenses (1)	-	-90,000
Amortisation of goodwill (2)	-	-153,787
Net Surplus	342,000	136,213

Notes to the Financial Forecast

1. Unusual expenses are the expenses incurred for:
 - a) the formation of the Company;
 - b) prospectus, brokerage, legal, printing, public relations, share registry and Stock Exchange expenses in regard to the NCM listing; and
 - c) valuation, accounting, advisory, audit, and legal expenses in regard to the Key Transaction.
2. The goodwill on acquisition of the Mowbray Business is \$1,537,871. In accordance with generally accepted accounting practice, goodwill will be amortised over a period not exceeding 10 years from initial recognition. The amortisation period and the amortisation method will be reviewed annually by the directors at each reporting date.

Key Risks

Other than the usual business and commercial risks such as business continuity, customer retention and adverse market forces, the following risks are identified:

1. Key person dependence on John Mowbray is a risk to the marketing and management of the Company. The Company intends to conclude a 5 year contract of employment with John Mowbray on appropriate terms for the protection of the Company including a restraint of trade should he leave the Company. The directors intend to purchase "Key Man" insurance to reduce this risk.
2. There is a risk that if the Swiss Franc appreciates against the Australian dollar or the New Zealand dollar that the increase in the cost of World Wide Fund for Nature Stamp Program product may not be able to be passed on to customers.
3. There is a minor risk that agencies held for various stamp products could be terminated.

Disclosure of Directors' Interests

John Mowbray BCA

John Mowbray is the chairman, managing director and largest shareholder of the Company, and sole vendor of the Mowbray Business. After the issue of shares to John Mowbray as part consideration, his shareholding will be approximately 4,018,000 shares representing 68% of the total shares on issue. Refer to page 4 for details of his holding of shares and options and to page 9 for a synopsis of his business career.

The financial information on page 11 discloses non current liabilities of \$136,544 and shareholder current accounts of \$148,448, being liabilities of the Mowbray Business at 31 July 2000. The shareholder current accounts are owed to John Mowbray and the other liabilities are secured against the personal property of John Mowbray or by guarantees. All these liabilities will be repaid by the Company on completion of the Key Transaction.

John Mowbray is a part-owner of the premises from which the Mowbray Business operates and will receive rental income from the Company. Leases on normal commercial terms, based on independent valuation, have been agreed for a per annum rental of \$42,000.

John Mowbray, as managing director, will be remunerated with a salary of \$125,000 per annum.

John Mowbray is a shareholder and director of Stanley Gibbons Australia Pty Ltd. That investment is not part of the Mowbray Business and is therefore not part of the Key Transaction.

Ian Halsted

Ian Halsted is a director and shareholder of the Company. Refer to page 4 for details of his shareholding.

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

Previous positions include Director of Hallenstein Bros. 1967 - 1989, Managing Director Hallenstein Glasson 1985 - 1989, President New Zealand Retailers Federation and President New Zealand Institute of Management Otago Division. Mr Halsted was also a member of the Distribution Industry Advisory Group to Government.

Ian Halsted has no financial interest in the Mowbray Business.

Murray Radford BCA, ACA, ACIS, DipCM, M Inst D

Murray Radford is a director and shareholder of the Company. Refer to page 4 for details of his shareholding.

He is currently the chairman of Dorchester Pacific Ltd, a publicly-listed financial services group, a director of British American Tobacco (New Zealand) Ltd and a director of a number of private companies.

Previously he worked in stockbroking in London and New Zealand for approximately 20 years, and was a member of the Stock Exchange for 13 years.

The directors have agreed, as permitted by Listing Rule 12.4.3, to the payment of fees to him of up to \$10,000 for professional services relating to the completion of the Key Transaction.

Murray Radford has no financial interest in the Mowbray Business.

Other Information

Wildlife Philatelic Collections Pty Ltd

Until recently, John Mowbray and Andrew Pitt owned the shares in Wildlife Philatelic Collections Pty Ltd. John Mowbray has an agreement with Andrew Pitt to purchase his 35% interest subject to the completion of the Key Transaction. That positioned John Mowbray as the sole vendor of the Mowbray Business.

The consideration for the purchase is an exact pro rata of the consideration for the Mowbray Business, based on the indication of value by Deloitte Touche Tohmatsu. Accordingly, part of the cash paid and shares issued to John Mowbray will in turn be passed on to Andrew Pitt.

No Other Material Information

There is no other material information about the Key Transaction that is not contained in this Notice of Special Meeting and Explanatory Memorandum or on the Mowbray Collectables Ltd webpage on the Stock Exchange's New Capital Market internet site (www.ncm.co.nz).

New Zealand Stock Exchange Approval of the Key Transaction

The Key Transaction has been approved by the Market Surveillance Panel of the New Zealand Stock Exchange for the purposes of the Stock Exchange Listing Rules. However, the Panel has not investigated the Key Transaction and has formed no views on the merits of the transaction. Mowbray Collectables Limited shareholders should not place any reliance on the fact that the Key Transaction has been approved by the Panel and should form their own judgement on the basis of the materials provided to them.

Audit Report

To the Directors of the Mowbray Group of Companies

We have prepared this report for inclusion in the Notice of Special Meeting dated December 2000. The Special Meeting is being held to invite Shareholders to consider and approve the purchase by Mowbray Collectables Limited of the stamp, rare book and associated businesses owned by John Mowbray. To assist the shareholders to make a decision on the proposed purchase, we were requested to audit the statement of financial positions of the businesses that comprise the Mowbray Group of Companies (the "Group").

We have audited the consolidated statement of financial position, accounting policies and notes (the "financial report") on pages 11-14. The financial report provides information about the financial position of the Group as at 31 July 2000 and has been prepared in accordance with the attached accounting policies.

Directors' Responsibilities

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of a financial report which gives a true and fair view of the financial position of the Group as at 31 July 2000.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial report, and
- whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand auditing standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report

Our audit testing was limited to the statement of financial position. No testing was carried out in respect of revenue, expenses and retained earnings and thus our audit provides less assurance than a full statutory audit.

Other than in our capacity as auditors and the provision of valuation services, we have no relationship with or interests in the Group.

Audit Opinion

In our opinion the financial report on pages 11-14 gives a true and fair view of the financial position of the Group as at 31 July 2000.

Our audit was completed on 27 November 2000 and our opinion is expressed as at that date.

Deloitte Touche Tohmatsu

Chartered Accountants
Wellington, New Zealand

Valuation Report

26 October 2000

The Directors
Mowbrays Collectables Limited
PO Box 80
WELLINGTON

Dear Sirs

VALUATION OF THE MOWBRAY GROUP

1. Introduction

Thank you for asking Deloitte Touche Tohmatsu to provide you with an indication of the value of the shares in the Mowbray Group, which consists of:

- J R Mowbray Philatelist Limited ("J R Mowbray")
- House of Stamps Limited ("House of Stamps")
- World Wide Fund for Nature Stamp Program ("WWF")
- Wildlife Philatelic Collections Pty Limited ("Wildlife Collections")
- Stanley Gibbons New Zealand Limited ("International")
- Bethunes Rare Books Limited ("Bethunes")

2. Purpose of the Engagement

We understand that you are to acquire shares in the above companies with the exception of WWF in respect of which you are acquiring the business. As part of that process, you would like Deloitte Touche Tohmatsu to provide you with an indication of the value of all the shares in each of the above companies and the business of WWF. We understand that you may use this valuation for determining the price at which the shares are purchased by Mowbray Collectables Limited ("Mowbray").

We understand the effective date is to be as at 31 July 2000.

3. Background

Mowbray is a company listed on the New Capital Market ("NCM"). The Directors of Mowbray have identified the acquisition of the Mowbray Group as its potential Key Transaction. A brief description of each of the businesses is as follows:

J R Mowbray is a stamp dealer and auctioneer established in 1965. The company buys and sells collections and handles promotions of stamp related products.

House of Stamps is a mail order business that retails stamps to customers of J R Mowbray. The company also retails and wholesales a large range of philatelic accessories to collectors and dealers and handles for the Health Camp Board each year a "limited edition" production of first day covers.

WWF is the agency in New Zealand of the World Wide Fund for Nature. The program consists of monthly issue of stamps on specialty provided pages featuring endangered species.

Wildlife Collections is the Australian counterpart to WWF.

International was formed by John Mowbray under licence from Stanley Gibbons of London. The sole activity of this company is a major annual international auction.

Bethunes is a recently established company providing specialty book auctions in New Zealand.

4. Valuation Approach

The Mowbray Group has a profitable trading history and is forecast to operate profitably in the future. In these circumstances, we consider a valuation based on future cash flows or earnings to be the most appropriate basis on which to assess the value of the Mowbray Group. However, the nature of the business and information available to us was such that a valuation using the DCF method was not possible. Therefore we have assessed the value of the Mowbray Group business using a capitalisation of earnings method.

In this instance we consider the capitalisation of earnings applying a before interest and tax ("EBIT") to be the most appropriate method. To derive the value of the Mowbray Group, it is necessary to deduct the market value of any net interest bearing debt and debt equivalents and add the market value of any significant assets which are either surplus to the Mowbray Group or which produce income that has not been taken into account in the EBIT used to assess the value of the business.

5. Valuation

The capitalisation of EBIT approach requires an assessment of the maintainable EBIT of the business and the selection of an appropriate rate of return for the purpose of capitalising the EBIT figure.

5.1 Maintainable EBIT

The assessment of maintainable EBIT is made after considering such factors as the risk profile of the business, the characteristics of the market in which it operates, its historical and forecast performance, non-recurring items of income and expenditure and known factors likely to impact on future operating performance.

Based on the above, we have assessed the maintainable EBIT for the Mowbray Group to be in the range of \$490,000 to \$515,000.

5.2 EBIT Multiple

The selection of an appropriate earnings multiple is usually the most subjective element of a valuation. Actual or indicative offers for a particular business can provide reasonable support for the selection of an appropriate earnings multiple. However, in the absence of such information it is necessary to infer multiples from other evidence such as marginal

trades for public companies in New Zealand and overseas with similar characteristics to the Mowbray Group. In the absence of any comparable listed companies in New Zealand, we have reviewed the EBIT multiples for comparable companies from around the world.

The historic EBIT multiples for the UK and USA comparable companies are significantly higher than for Australasia. In general terms, large overseas markets such as the UK and USA typically trade at higher multiples than usually found in the Australasian markets. To some degree, this reflects the size of the companies themselves and that the size of the economies in those countries offer greater growth opportunities, notwithstanding the higher degree of competition that may exist.

We note that observed EBIT multiples for publicly listed companies may not necessarily be appropriate for closely held private companies. Shares in publicly listed companies are significantly more liquid than shares in closely held private companies, as they are far more easily be converted into cash at the owner's discretion. In addition, many shares in closely held private companies are less marketable because of restrictions over the transfer of shareholding often contained in shareholders' agreements or general pre-emptive rights granted to the other shareholders. Empirical evidence suggests that discounts for lack of marketability for shares in closely held private companies may be as much as 30% to 40%. However, the lack of marketability discount for controlling interests in closely held private companies will often be less than this amount.

Other valuation factors that have been considered are growth prospects, key person dependence, position in the market, size of the group of companies and the terms and conditions of licence agreements.

Based on the above factors and our review of comparable EBIT multiples, we consider an appropriate EBIT multiple for the Mowbray Group business to be in the range of 4.0 to 4.2.

5.3 Capitalisation of EBIT Valuation

On the basis of the above EBIT multiples, the indicative value of the Mowbray Group is in the range of \$1,960,000 to \$2,163,000 as at 31 July 2000 under the capitalisation of EBIT method. This is determined as follows.

Valuation of Business

	Low	High
Maintainable EBIT	490,000	515,000
EBIT Multiple	4.0	4.2
Value of the Mowbray Group	\$1,960,000	\$2,163,000

5.4 Asset Backing

In general terms, the difference between the value of a business and of its tangible operating assets represents the intangible assets of the business, such as goodwill, brand names, distributorship licences, know-how, customer network etc. Given the net tangible assets are \$562,000 and interest bearing debt is \$136,500 the implicit goodwill of the Mowbray Group is in the range of \$1,261,500 to \$1,464,500. This equates to 2.57 to 2.84 times the assessed level of maintainable EBIT.

Based on the above, we consider the range of indicative values of the intangible assets and the multiples of market value to tangible asset backing are reasonable. This is also supported by the Mowbray Groups historical success and plans for growth in the future. The Mowbray Group has a reputation worldwide and an auction model that can be expanded into new collectable markets.

6. Valuation of 100% of the Shares

To derive the value of the Mowbray Group, it is necessary to add the value of surplus assets to the value of the business and deduct the net interest bearing debt.

Based on the above, we assess the value of the Mowbray Group to be in the range of \$1,823,500 to \$2,026,500 at 31 July 2000 as follows:

Valuation of Shares		
	Low	High
Value of Mowbray Group Business	1,960,000	2,163,000
Add: Surplus Assets	-	-
Deduct: Net Interest Bearing Debt	(136,500)	(136,500)
Value of Mowbray Group Shares	\$1,823,500	\$2,026,500

Our valuation assessment is as at 31 July 2000. Given there are no significant changes in the groups operations and the industry in which it operates between that date and the present date, we consider it reasonable to assume that the value of the Mowbray Group will not change. Given the assessment date of the valuation it may be appropriate for the purchase price of the shares to take into account the movements in retained earnings from the 31 July 2000 to the settlement date.

7. Restrictions

The scope of this engagement is restricted to providing an indication of value. We are not being asked to, nor have we provided any opinion as to the value of the company's shares. Additional procedures would need to be performed before an opinion of value could be provided.

We are not providing a value of the company's businesses nor any parcel(s) of shares in the companies. We have not undertaken any in-depth analysis of the financial information provided to us, nor have we analysed company's competitive position.

We will not assume any responsibility or liability for losses occasioned to company or its directors or shareholders or to any other parties as a result of the circulation, publication, reproduction or use of our report contrary to the provisions of this paragraph. In any event our total liability to all and any parties for any reasons whatsoever will be limited to two times the fee charged for this engagement.

We reserve the right, but not the obligation, to review all calculations included or referred to in our report and, if we consider it necessary, to review our indication of value in the light of any information existing at the valuation date which becomes known to us after the date of our report.

Our indication of value will be as at 31 July 2000 and will not necessarily be appropriate for determining the value of the shares at any other date.

8. Reliance on Information

In preparing our indication of value, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that is available from public sources and all information that is furnished to us by the company. We have evaluated that information through analysis, enquiry and examination for the purposes of forming our indication of value. However, we have not verified the accuracy or completeness of any such information nor conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of company. We do not warrant that our enquiries have identified or revealed any matter which an audit, due diligence review or extensive examination might disclose.

9. Disclaimer

Our report has been prepared with care and diligence and the statements and conclusions in our report are given in good faith and in the belief, on reasonable grounds, that such statements and conclusions are not false or misleading. However, in no way will we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of company will be achieved. Forecasts are inherently uncertain. They are predictions of future events which cannot be assured. They are based upon assumptions, many of which are beyond the control of company and its management team. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We will assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of our indication of value to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in our report or assumptions reasonably taken as implicit.

10. Indemnity

Mowbray agrees that to the extent permitted by law, it will indemnify Deloitte Touche Tohmatsu and its partners, employees and consultants in respect of any liability suffered or incurred as a result of or in connection with the preparation of the indication of value. This indemnity will not apply in respect of any negligence, wilful misconduct or breach of law. Mowbray also agrees to indemnify Deloitte Touche Tohmatsu and its partners, employees and consultants for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Deloitte Touche Tohmatsu or its partners, employees and consultants are found liable for or guilty of negligence, wilful misconduct or breach of law, Deloitte Touche Tohmatsu shall reimburse such costs.

Deloitte Touche Tohmatsu

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Company Directory

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Levin

Bankers

The National Bank of New Zealand
Waikanae

Auditors

Deloitte Touche Tohmatsu
Wellington

Share Registrar

BK Registries
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Solicitors

Gilbert Swan
Wellington



MOWBRAY
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