Communitie.com Limited

Report and Accounts
for the year ended 31 December 2000

Contents

Mission Statement

"To build the number 1 online stamp community in the world, covering all aspects of stamp collecting."

Financial Highlights

	Year ended 31 December 2000 (Statutory) £'000	Year ended 31 December 2000 (Proforma) £'000	Year ended 31 December 1999 (Proforma) £'000
Group Turnover	3,184	8,017	8,944
Operating (loss)/profit before goodwill impairment and exceptional operating costs	(161)	(639)	135
Loss per share	(2.25)p		
Loss per share (adjusted)	(0.41)p		

Financial Calendar

AGM ______________________________	4th May 2001
Interim Results Announced _______________	19th September 2001

Communitie.com Limited

Directors and Advisors

Directors

Paul Ian Fraser, aged 45 Executive Chairman

Paul has been engaged in dealing in Collectibles all his adult life. He first invested in Stanley Gibbons Holdings PLC in 1989. He was executive chairman from 1990 to 1998 until the sale of the company to Flying Flowers Limited. He joined the board of Directors of Flying Flowers as joint chief executive in September of that year. Paul has a varied background of accountancy training, retailing, mail order and property development. Following the demerger from Flying Flowers, he remains as an executive Director of Flying Brands (formerly Flying Flowers).

Anthony Michael McQuillan, aged 49 Chief Executive

Tony worked for Stanley Gibbons as consultant, Director and chief executive between 1991 and 1998. He has therefore acquired considerable knowledge of the dealing and publishing business. During 1999 he acted as project manager for the internet development of the Flying Flowers Group. Between 1988 and 1991 he was a lecturer in Business Development in the University of Bristol. Throughout the period from 1984 until early 2000 he also operated a specialist publishing company producing promotional material and training programmes for building societies and other clients.

Michael Robert Montague Hall BAcc CA, aged 30 Finance Director

In 1995 Michael qualified as a Chartered Accountant in Scotland and joined Coopers and Lybrand (now PricewaterhouseCoopers) in Jersey in 1995. As a manager, Michael worked in both audit and corporate finance assignments for a variety of listed companies including Flying Flowers. Michael joined Flying Flowers as financial controller of the Collectibles division in July 1999 and was appointed Finance Director of Communitie.com in August 2000.

Timothy Dunningham FCA, aged 47, Non-Executive Director

Tim is chief executive of Flying Brands (formerly Flying Flowers), having joined the company in 1984 as Finance Director. Between 1978 and 1985 he was a senior lecturer with The Financial Training Company Limited, a leading firm of accountancy tutors, of which he was also a Director.

Stephen Feigen, aged 53, Non-Executive Director

Stephen is Managing Director of Abacus Software Limited, a leading UK electronic publishing software and internet/online service developer. He has spent 14 years working in networked information systems and multimedia and has a wide knowledge of general information technology and database technology. He is also non-executive Director of Sea.net Limited, a business to business web service for the world wide shipping industry

Registered Office
Pirouet House
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Jersey JE1 3WF

Company Secretary
Richard Kenneth Purkis

Company Registration
Registered in Jersey
Number 13177

Nominated Advisor and Broker
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Solicitors
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Communitie.com Limited

Chairman's Statement

I am pleased to be making the first Chairman's Statement since our demerger from Flying Brands Limited.

Stanley Gibbons is a long established 'bricks and mortar' business with a large archive of content and intellectual property which is constantly building. Communitie.com is using the Internet to disseminate this information in a more cost effective and profitable way. This will enable us to release the full potential of our business and brand name. By May 2001 we will have a total of five stamp-related internet sites; stanleygibbons.com, allworldstamps.com, stampsatauction.com, gibbonsstampmonthly.com and stamp-cafe.com. We believe the barriers to entry will be increased for others and competitors will only cover parts of our complete picture.

The proforma full year's result for 2000 shows an operating loss before exceptional operating costs and goodwill of £639,000 on turnover of £8,017,000. The loss incurred includes new development costs from Internet activity of £413,000 which represents an investment in the future of the Group. Consequently, the operating loss for the full year from core business activities was £226,000.

However, the real headline news is that we are performing well against our business plan for 2001, with a clear focus on attracting new customers.

We now have the business software which allows us to mine deeply and quickly into the system, giving us the opportunity to look at ways of improving or discontinuing products and business areas where margins or costs generate losses or marginal profit. This is now a business run to tight financial controls.

The purchase of EHW & Co at the end of the year has given us a once in a lifetime opportunity to add to the quality, size and value of stock we are able to offer our customers. This is the largest purchase by Stanley Gibbons in over twenty years and underlines our belief in the future of the stamp business. This purchase will pay back very quickly and add substantially to the profitability of the Group over the next few years.

Internet development has been key to our strategic plans and it will enable greater exposure of our stamp stock, products and services in a very cost-effective way. It will also reduce our reliance on sales in the UK. We are uniquely placed to create and build a community e-platform to reach the £6 billion worldwide stamp market. We have developed the specialist inhouse skills at our Nailsea office with a team of 14 developing our seven Internet sites and building both content and long-term value in intellectual property.

'Allworldstamps.com', launched on 8 January 2001, is a full listing of all stamps ever issued with current prices. It currently covers Great Britain, Australia, New Zealand, Canada, Channel Islands and the issues of six other countries, but it will roll out to include the full world of stamps as the year progresses. This will enable us to digitally print catalogues and sell new demand-driven catalogue products, reducing stock holdings and costs.

May 2001 will see the launch of 'stampsatauction.com' which will be a complete stamp auction service operating on three levels. All these sites will feed off each other and improve our positions on the Internet search engines which will, in turn, drive even more traffic to the sites. Plans to increase links to other sites and affiliate relationships, sponsorships and partnerships will help to build a strong stamp community that we believe will become the leader in the philatelic world.

'Collector Café' is our opportunity to launch into the wider area of collectibles. We have had the site up-and-running for over one year now and it is evolving, through building content and the accumulation of intellectual property, into a valuable asset.

Chairman's Statement

Collector Café has 1,200 articles on over 100 subjects and 1,000 links to other dealers and collectible sites. Expertise and software developed in our other sites will be easily adaptable to Collector Café to provide an auction service and price guides in our next phase of development. We are making resources available to this project to stretch the brand into other collectible areas, although the main focus and commitment still remains with the stamp business.

Our capital expenditure plans are split between the refurbishment of the upper floors at 399 Strand, where half our building will be sublet giving us an excellent return on capital employed, and the opportunity to upgrade both the retail areas and working conditions for all: also, we will be strengthening our IT capability and developing the next phase of our Internet sites, which will produce the new customers and the consistent increase in profitability in the future.

We are not a classic dot.com company as we are generating cash, but our respected brand has found a unique way to reach a worldwide audience through e-commerce, portals and auctions. We have a competitive edge that will allow us to build the Number 1 stamp community.

We have made tremendous progress since demerger and the management team (who built the business before) are focused on achieving strong growth for the future. We have the brand names, the business model and the support tools to succeed.

My thanks to all our employees, who have shown commitment, focus, enthusiasm and effectiveness, especially in this demerger year, and we can now look forward to an exciting 2001.

Paul Fraser
Chairman

29 March 2001

Communitie.com Limited

Operating Review

Proforma operating results for the year

	Proforma		Proforma		Proforma	
	2000	**2000**	1999	1999	**2000**	1999
	Sales	**Profit**	Sales	Profit	**Profit**	Profit
	£000	**£000**	£000	£000	**%**	**%**
Philatelic trading and retail operations	4,536	75	4,853	239	1.7%	4.9%
Publishing and philatelic accessories	2,557	319	2,624	392	12.5%	14.9%
Dealing in autographs, records and related memorabilia	758	243	718	226	32.1%	31.5%
Exhibitions	68	(52)	237	(22)	(76.5%)	(9.3%)
Urch Harris New Issues	-	-	512	(2)	0.0%	(0.4%)
E-commerce	98	25	-	-	25.5%	0.0%
	8,017	610	8,944	833	7.6%	9.3%
Sale of property		52		85		
Corporate overheads		(836)		(698)		
New business development costs		(413)		-		
Interest		(27)		(54)		
Before exceptional operating costs and impairment of goodwill	8,017	(614)	8,944	166	(7.7%)	1.9%
Impairment of Goodwill		(200)		-		
Exceptional operating costs		(79)		-		
(Loss)/profit before tax	8,017	(893)	8,944	166	(11.1%)	1.9%

The results above do not represent the statutory results of Communitie.com for the year as the Collector Café Group was acquired on 16 August 2000 from Flying Brands Limited. In order to present a more meaningful analysis the full year results against last year are presented which have been extracted from the audited consolidated accounts of Stanley Gibbons Holdings PLC, the holding company of the trading activities of the Communitie.com Group. Consequently, the Operating Review focuses on the proforma results for the year.

Sales

Sales for the year were £927,000 (10.4%) below last year but were only £246,000 (3%) below last year after adjusting for discontinued activities. Discontinued activities include the transfer of Urch Harris to Flying Brands Limited in June 1999 and the withdrawal from the non-profitable activity of organising exhibitions.

Sales from philatelic trading and retail operations declined in 2000 by £317,000 (6.5%). The reduction in sales is due primarily to efforts to maintain margins, reduce stock purchases and reduce debtors with the result that sales have been sacrificed to improve cash flow and bottom line profitability.

The Group lost its focus on sales during 2000 due to the absence of a detailed sales plan which is now in place for 2001. The sales plan includes a number of simple initiatives which will enhance sales driven by our recent investment in systems which enables us to analyse and target customers more effectively. Furthermore, our marketing plan incorporates specific return on investment criteria which were absent last year together with greater emphasis towards creative marketing initiatives which have been severely lacking over the past few years.

Operating Review

Profitability

The loss before tax attributable to the period prior to the acquisition and subsequent demerger was £585,000. Excluding new business development costs and goodwill impairment, the company made a profit of £82,000 for the period since acquisition from 16 August 2000 to 31 December 2000. We have therefore returned the core business to profitability mainly through strong management controls with overheads brought under control and rationalisation and cost re-engineering of unprofitable areas within the business.

This has been a difficult year's trading due to the distractions caused by the demerger and management restructuring taking place. Substantial costs were incurred in new business development this year totaling £413,000, namely through development of internet sites which represent an investment in the Group's future which we are not permitted to capitalise under current accounting standards.

Detailed profitability reviews were conducted during the year on each of the trading operations in the Group. The 2001 Business Plan covers specific measurable objectives to improve profitability in each department through customer growth, more efficient marketing techniques and increased departmental accountability for performance facilitated by better reporting techniques. Areas of activity proven to be non-profitable and distracting the business from its core objectives, are being ceased. Our 2001 business plan incorporates succession planning to ensure that replacement income in new markets is in place to nullify the effect of lost revenue from ceased operations.

New Business Development

The costs being incurred in new business development are necessary to facilitate future growth of the business, the benefits of which will begin to be witnessed during 2001. The internet represents the most cost effective route to return the Stanley Gibbons brand to a worldwide market, to attract new business, grow our customer database, and improve stock turn.

The introduction of our Stanley Gibbons website on 30th March 2000 and Frasers site in April 2000 marked the commencement of our Internet strategy. Sales from e-commerce represented 1.2% of our total sales for 2000.

Acquisitions

The Group acquired the business of EHW & Co on 1 December 2000 for a total consideration of £750,000 which included goodwill of £200,000. See note 18 for details on treatment of goodwill. The breadth and quality of stock purchased from this investment will result in improved sales and profit margins

Corporate Overheads

Corporate overheads have increased from last year by £138,000 which is representative of the increased investment in strengthening the infrastructure of the business to enable the Group to manage the business back to profitability. The Group replaced its IT systems in July 1999 which is now resulting in higher depreciation and support costs. However, this investment was long overdue and is now providing the benefits expected in the form of improved management information, customer database management and stock control. Corporate overheads also include professional fees associated with being a public company.

Exceptional operating costs

Exceptional costs in the proforma figures comprise exceptional redundancy costs and the costs of an interim Finance Director necessary during a reorganisation period which are exceptional by size and incidence and are non recurring in nature.

Accounting Policies

Accounting policies are detailed in note 1 to the Financial Statements on pages 17 to 18. These policies are in accordance with UK generally accepted accounting principles.

Financial Review

Treasury

The main financial risks faced by the Group are liquidity and interest rate fluctuations. The Board will continue to assess and manage the risks associated with the treasury functions as the business develops although the current size of the business dictates that treasury management is an integral part of the overall management of the Group.

Liquidity and Funding

The Group has approved written policies covering the following:

1. Authorisation requirements for all bank accounts and financial instruments.
2. Authorisation limits for all payments made by Group companies.
3. Quarterly forecasting of the Group's profit and loss, balance sheet and cashflow position and daily comparison of the actual cash position to forecast.

As part of the demerger the Group secured an overdraft facility with Barclays Bank PLC of £1.3m which based on the working capital review performed at that time is sufficient to support the Group's operations and business objectives up to 31 December 2001. The overdraft facility is due for its next annual review in July 2001.

At 31 December 2000, the Group overdraft was £195,000 which was covered by cash balances of £186,000. The overdraft at that date is due to timing differences only as any surplus cash balances are transferred to a high interest account to ensure best interest rates are obtained.

The business of stamp collecting is seasonal and working capital requirements are greater in the period from May to August due to lower volumes of trade at that time. Furthermore, costs attributable to Catalogue production are incurred in advance. Additional working capital requirements during this period are adequately covered by the current overdraft facility.

The Group does not have any other significant borrowings other than finance lease obligations to Barclays Bank PLC of £147,000.

Balance sheet and cashflow

On a proforma basis despite incurring an operating loss before goodwill and exceptional operating costs of £639,000 the Group has generated £512,000 cash during the year. A summary of cash flow movements for the year are as follows:

	Year ended 31 December 2000 £'000
Operating loss before goodwill and exceptional operating costs (see page 32)	(639)
Exceptional operating costs	(79)
Depreciation	214
Gain on sale of property	52
Cash settlement on demerger from Flying Brands Limited (net of issue costs £600,000)	750
Payment on acquisition of EHW & Co.	(400)
Working capital movements	592
Other cash flow movements	22
Increase in cash for year	**512**

Working capital improvements were achieved through improved credit control procedures applied throughout the year including the recovery of a number of old debts together with improved terms of payment negotiated with key suppliers.

The Consolidated Cash Flow statement on page 16 forms part of the statutory financial statements for the year, and incorporates the acquisition of Collector Café Limited from 16 August 2000.

Interest

Net interest payable reduced during the year as a result of the improved cashflow referred to above. Details on prevailing interest rates are included in note 28 to the financial statements.

Taxation

Due to trading losses there is no tax charge for the period.

Corporate Governance

So far as is appropriate, the Board aims to apply the underlying principles of the Combined Code, having regard to the size of the Company. The principal areas where these underlying principles are applied in the running of the Company are set out below.

The Company holds board meetings regularly throughout the year at which operating and financial reports are considered. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

An Audit Committee has been established which has only two non-executive Directors. The Company feels this is appropriate for its size. They meet at least twice a year and are responsible for ensuring that the financial performance of the Group is properly maintained and reported on. It is also responsible for meeting the auditors and reviewing the report from the auditors relating to the accounts.

Members of the Audit Committee at 31 December 2000 were as follows:

T Dunningham, Chairman
S Feigen

A Remuneration Committee has also been established and comprises the non-executive Directors. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders.

Report on Remuneration

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's general policy on remuneration and also specific packages for individual Directors. It carries out the policy on behalf of the Board.

Members of the Remuneration Committee as at 31 December 2000 were as follows:

S Feigen, Chairman
T Dunningham

Both members are independent non-executive Directors. Neither of them has any personal financial interest in the matters to be decided (other than as shareholders) or any day to day involvement in the running of the business.

Policy on Executive Directors' Remuneration

The Committee reviews remuneration of executive Directors and senior management each year. The main aim of the Group's executive pay policy is to provide an appropriate reward for their work and which is sufficient to attract and retain the Directors needed to meet the Group's objectives and satisfy shareholder expectations.

The Committee has given full consideration to the provisions of Schedule A and Schedule B of the Combined Code. No Director has received any pay increase during the year.

Executive Share options are granted to Directors and other employees on a phased basis, the value of those options ensures that this spreads any reward over a number of years, allied to growth in shareholder value over the long term. Options granted under the share option scheme are exercisable between the third and tenth anniversaries of the date of grant. Options granted are not normally exercisable unless the perfomance target is satisfied; the average annual increase in the Company's share price over a period of three consecutive financial periods of the Company (commencing no earlier than one year prior to the date of grant) is at least 5%.

Only the Chairman currently receives a pension contribution of 9% of his basic annual salary paid into his personal pension plan. Other executive Directors will be entitled to participate in the Stanley Gibbons pension scheme when it is reopened later in 2001.

Directors will be rewarded discretionary annual bonuses subject to a maximum bonus not exceeding 20% of annual salary. No bonuses were paid to Directors during the year.

Service contracts

No Director has a notice period exceeding twelve months.

Directors' Remuneration

For each Director remuneration during the year can be analysed as follows:

	Basic Remuneration	Performance Related Bonus	Pension	Other Benefits	Total
	£'000	£'000	£'000	£'000	£'000
P I Fraser	32	-	3	-	35
A M McQuillan	28	-	-	1	29
M R M Hall	19	-	-	1	20
T Dunningham	4	-	-	-	4
S Feigen	2	-	-	-	2
	85	-	3	2	90

Report on Remuneration

Directors' Share Options

	Date of grant	Earliest Exercise date	Expiry date	Exercise Price (1p shares)	Granted in year	Exercised in year	Number at 31 Dec 2000
P Fraser	26/9/00	26/9/02	26/9/10	18.5p	540,540	-	540,540
A McQuillan	26/9/00	26/9/02	26/9/10	18.5p	540,540	-	540,540
M Hall	27/11/00	27/11/03	27/11/10	18p	50,000	-	50,000
					1,131,080	-	1,131,080

No options lapsed during the year. The options granted to P Fraser and A McQuillan were granted under Enterprise Management Incentive option agreements. The options granted to M Hall were granted under the Inland Revenue approved UK Executive Share Option Scheme.

The market price of the Company's shares at 31 December 2000 was 17.75p and the range of market prices during the year was between 15p and 25p.

On the 5th March 2001 the share price was 16.75p. Consequently, no options had an exercise price below the market price and therefore there is no dilutive affect on the earnings per share.

Directors' report
for the year ended 31 December 2000

The Directors present their report and the audited financial statements for the year ended 31 December 2000.

Incorporation

The company was incorporated in Jersey on 13 June 1977 under company number 13177 as a private company, with the name Trident Horticultural Limited. It changed its name from Trident Horticultural Limited to Flying Flowers Limited on 23 January 1981 and from Flying Flowers Limited to Trident (Jersey) Limited on 15 July 1993 and then from Trident (Jersey) Limited to Communitie.com Limited on 26 July 2000. The company was dormant during the period until 16 August 2000, the date of acquisition of Collector Café Limited.

Directors' responsibilities for the financial statements

Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial period and of the Group profit or loss for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

Principal activities

The company was dormant until 16 August 2000, the date of acquisition of Collector Café Limited from Flying Brands Limited. The principal activities of the Group are those of dealing in stamps, autographs, rare records and related memorabilia, the development and operation of community based collectible websites, philatelic publishing, auctioneering, mail order, retailing, and the manufacture of philatelic accessories.

Business review and future prospects

A commentary of the Group's progress during the year and its future prospects are set out in the Chairman's statement on pages 2 and 3, and the Operating Review and Financial Review on pages 4 to 6.

Results and dividends

The profit and loss account of the Group for the year ended 31 December 2000 is set out on page 14. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2000.

Directors' report
for the year ended 31 December 2000

Directors

The Directors of the company during the year were as follows:

Mr P I Fraser	(appointed 7 August 2000)
Mr A M McQuillan	(appointed 7 August 2000)
Mr M R M Hall BAcc CA	(appointed 7 August 2000)
Mr T Dunningham FCA (non-executive)	
Mr S Feigen (non-executive)	(appointed 7 August 2000)
Mr D P Talbot	(resigned 7 August 2000)

Biographical details of the Directors are given on page 1.

Directors' interests

The interests of the Directors in the shares of the Company at 1 January 2000 together with their interests at 16 August 2000 and 31 December 2000 were:

Shares	Ordinary £1 Shares **1 January 2000** (or later date of appointment)	Ordinary 1p Shares **16 August 2000**	Ordinary 1p Shares **31 December 2000**
P I Fraser	-	4,896,719	**6,001,719**
A M McQuillan	-	-	**500,000**
M R M Hall	-	-	**-**
T Dunningham	3	2,410,000	**2,410,000**
S Feigen	-	-	-

The Directors' interests in shares are all beneficial. P Fraser purchased 200,000 shares on 12 January 2001, 500,000 on 17 January 2001 and 500,000 on 25 January 2001. M Hall purchased 20,000 shares on 25 January 2001. There were no other changes in interests between 31 December 2000 and 26 April 2001.

Apart from service contracts and the related parties referred to in note 29, none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

Policy on payment of creditors

It is Group policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and to abide by them. The creditor payment days outstanding for the Group at 31 December 2000 were 44 days.

Charitable and political donations

The Group did not make any charitable or political donations during the year.

Intangible Assets

No value is attributed in the balance sheet to the Group's brand names, the value of the Stanley Gibbons stamp referencing system or its database of customers.

Directors' report
for the year ended 31 December 2000

Substantial Shareholdings

As at 13 March 2001, other than the Directors' holdings noted above, the Company had been notified of the following interests in 3% or more of its issued share capital:

Meg Holdings Limited: 3.24%

Secretary

Mr R K Purkis has been secretary for the entire year ended 31 December 2000.

Auditors

Grant Thornton were appointed auditors to the company by the Directors on 16 August 2000. A resolution to appoint Grant Thornton and to authorise the Directors to fix their remuneration will be proposed at the AGM.

By order of the board

R K Purkis
Secretary

4 April 2001

Registered office:

Pirouet House
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Jersey, JE1 3WF

Auditors' Report

Report of the auditors to the members of Communitie.com Limited

We have audited the financial statements on pages 14 to 31 which have been prepared under the accounting policies set out on pages 17 to 18.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 10 this includes responsibility for preparing the financial statements in accordance with applicable Jersey law and United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2000 and of the loss of the Group for the year then ended, and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Grant Thornton
Registered Auditors
Chartered Accountants

London
4 April 2001

Consolidated Profit and Loss account for the year ended 31 December 2000

	Notes		Year ended 31 December 2000 £'000
Turnover	*1,2*		**3,184**
Cost of sales			**(1,375)**
Gross profit			**1,809**
Administration expenses			**(438)**
Selling and distribution expenses			**(1,532)**
Impairment of Goodwill	*18*		**(496)**
Operating Loss	*3*		**(657)**
Operating loss before impairment of goodwill		**(161)**	
Impairment of goodwill		**(496)**	
Profit on sale of property			**52**
Interest receivable and similar income			**9**
Interest payable and similar charges	*6*		**(8)**
Loss on ordinary activities before taxation			**(604)**
Tax on loss on ordinary activities	*7*		**-**
Loss for the financial year	*19*		**(604)**
Loss per Ordinary Share	*8*		**(2.25)p**
Impairment of Goodwill			**1.84p**
Adjusted Loss per Ordinary Share			**(0.41)p**

The full year's statutory profit and loss account includes the trading period from 16 August 2000 (the date of acquisition of Collector Café Limited from Flying Brands Limited) to 31 December 2000. For information purposes, a full year proforma profit and loss account is also presented on page 32 which has been extracted from the audited consolidated accounts of Stanley Gibbons Holdings PLC, the holding company of the trading activities of the Communitie.com Group.

Continuing operations: all items dealt with in arriving at the operating loss for 2000 arose from acquisitions. The company was dormant during the year ended 31 December 1999 and as such no comparative figures have been disclosed.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

There are no material recognised gains and losses other than those included in the loss above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheets
at 31 December 2000

	Notes	Group 31 December 2000 £'000		Company 31 December 2000 £'000	Group and Company 31 December 1999 £
Fixed Assets					
Tangible assets	*9*	**1,576**		-	-
Investments	*10*	**223**		5,811	-
			1,799	5,811	-
Current assets					
Stocks	*11*	**4,983**		-	-
Debtors: amounts falling due after more than one year	*12*	**303**		-	-
Debtors: amounts falling due within one year	*12*	**1,438**		750	9
Cash at bank and in hand		**186**		-	-
		6,910		750	9
Creditors: amounts falling due within one year	*13*	**(2,372)**		-	-
Net current assets			**4,538**	750	9
Total assets less current liabilities			**6,337**	6,561	9
Creditors: amounts falling due after more than one year	*14*		**(380)**	-	-
Net assets			**5,957**	6,561	9
Capital and reserves					
Called up share capital	*16*		**269**	269	9
Share premium account	*19*		**6,292**	6,292	-
Profit and loss account	*19*		**(604)**	-	-
Equity shareholders' funds	*20*		**5,957**	6,561	9

The financial statements on pages 14 to 31 were approved by the board of Directors on 4 April 2001 and were signed on its behalf by:

A M McQuillan)
M R M Hall) Directors

Consolidated Cash Flow Statement
For the year ended 31 December 2000

	Notes		Year ended 31 December 2000 £'000
Net cash inflow from operating activities	*22*		**135**
Returns on investment and servicing of finance			
Interest received		9	
Interest paid		(3)	
Finance lease interest paid		(5)	
			1
Capital expenditure			
Payments to acquire tangible fixed assets		(131)	
Receipts from sales of tangible fixed assets		117	
			(14)
Acquisitions and disposals			
Purchase of business	*17*	(400)	
Net cash inflow relating to demerger	*21*	806	
Payment of demerger costs	*21*	(499)	
			(93)
Net cash inflow before financing			**29**
Financing			
Capital element of finance leases			**(38)**
Net cash outflow from financing			**(38)**
Decrease in cash	*23*		**(9)**

The full year's statutory cash flow statement includes the trading period from 16 August 2000 (the date of acquisition of Collector Café Limited from Flying Brands Limited) to 31 December 2000. The company was dormant during the year ended 31 December 1999 and as such no comparative figures have been disclosed.

Information on the proforma cash flow movement on trading activities for the full year ended 31 December 2000 is given in the Financial Review on page 6.

Notes to the financial statements
For the year ended 31 December 2000

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the accounting standards currently applicable in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its wholly owned subsidiary companies, which are listed in note 10, and all of whose financial statements are made up to 31 December. The results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of their acquisition using the acquisition method of accounting.

Intra-Group sales and profits are eliminated on consolidation, and all sales and profit figures relate to external transactions only.

The company acquired Collector Café Limited on 16 August 2000 and was demerged from Flying Brands Limited on 18 September 2000. Details of the acquisition and demerger are disclosed in notes 16 and 21.

The company has taken advantage of the exemption from presenting its own profit and loss account. The administration costs of the company are borne by a fellow subsidiary company.

(b) Goodwill

Purchased goodwill, representing the excess of fair value of the consideration over the fair values of the identifiable net assets acquired, is capitalised, classified as an asset and amortised over its estimated useful economic life. Any permanent diminution in value is recognised by immediate write off through the profit and loss account.

Details of the treatment of goodwill arising on the acquisition of Collector Café Limited and the subsequent demerger from Flying Brands Limited are disclosed in note 18.

(c) Turnover

Turnover represents amounts invoiced by the Group in respect of goods sold and services provided during the period excluding value added tax. In respect of auctions held by the Group, turnover represents amounts invoiced in respect of vendors' commissions and buyers' premiums, excluding value added tax.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at their purchase price, including any incidental expenses of acquisition. Fixed assets held under finance leases are stated at the present value of the minimum lease payments due at the inception of the lease, or at fair value where this is considered a sufficiently close approximation to present value.

Fixed assets include a reference collection of certain stamps held on a long term basis. Additions to the collection are depreciated by 50% immediately on acquisition to provide for the usage of such items. No further depreciation is charged thereafter because in the opinion of the Directors the residual value is expected to exceed net book value for the foreseeable future.

Depreciation is calculated to write down the net book value of tangible fixed assets less their residual value on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Motor vehicles and plant and machinery	10 – 50%
Fixtures, fittings, tools and equipment	4 – 25%

(e) Investments

Investments are stated at cost less any provision for diminution in value.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. In the case of stamp stocks it is not always practicable to ascertain individual costs. The cost of parcels of high value stamps is apportioned between the items purchased on the basis of the expert opinion of the Group's stamp dealers. Lower value stamp stocks are valued as a proportion of their anticipated realisable value, as a best estimate of cost, based on the expert opinion of the Group's stamp dealers.

(g) Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

(h) Taxation

The charge for taxation is based on the profit for the year as adjusted for tax purposes.

(i) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Foreign currency monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

(j) Finance leases

Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against the profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets purchased under finance leases are depreciated over their expected useful lives.

(k) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(l) Pension costs

The company operates a defined benefit pension scheme. Expected pension costs calculated using an actuarial method are provided over the service lives of the employees in the scheme. The contributions are determined by a qualified and independent actuary on the basis of triennial valuations using the attained age method. The last actuarial valuation of the scheme was at 1 July 2000.

2 Segmental Analysis

The Directors of Communitie.com Limited are of the opinion that all the business of the Group is operated within the retail segment.

Turnover by geographical area

	Year ended 31 December 2000 Sales by destination £'000	Year ended 31 December 2000 Sales by origin £'000
United Kingdom	**2,613**	3,184
Europe	**196**	-
Outside Europe	**375**	-
	3,184	3,184

3 Operating loss

	Year ended 31 December 2000 £'000
Operating loss is stated after charging/(crediting):	
Depreciation of tangible fixed assets	
- owned assets	**97**
- leased assets	**26**
Impairment of goodwill	**496**
Auditors' remuneration	**24**
Operating lease charges – leased premises	**178**
Interest payable on finance leases	**5**
License fee income	**(5)**

4 Directors' emoluments

The remuneration paid to the Directors of Communitie.com Limited was:

	Year ended 31 December 2000 £'000
Fees	**6**
Salaries and benefits	**81**
Pension	**3**
	90
Number of Directors included in the defined benefit pension scheme (note 26)	**-**

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on pages 8 and 9 and forms part of these financial statements.

5 Employee information

The average number of persons (including executive Directors) employed by the Group during the year was 134 (1999: 2).

Staff costs relating to those persons during the year amounted to:

	Year ended 31 December 2000 £'000
Wages and salaries	847
Social security costs	74
Pension costs	3
	924

6 Interest payable and similar charges

	Year ended 31 December 2000 £'000
Interest payable on overdrafts and bank loans	1
Interest payable on loan notes	2
Finance lease interest payable	5
	8

7 Tax on profit on ordinary activities

There is no tax charge for the year due to a loss arising in the year.

Unrelieved tax losses of £250,000 remain available to offset against future taxable trading profits.

8 Loss per Ordinary Share

Basic loss per share is calculated by dividing the loss of £604,000 attributable to ordinary shareholders by the weighted average of 26,887,655 ordinary shares in issue during the year.

Adjusted loss per share has been calculated to exclude the effect of impairment of goodwill of £496,000 by dividing the adjusted loss of £108,000 attributable to ordinary shareholders by the weighted average of 26,887,655 ordinary shares in issue during the year. The Directors believe this gives a more meaningful measure of the underlying performance of the Group.

There is no difference between the basic loss per share and the diluted loss per share since share options granted to employees are anti-dilutive as the exercise prices are above market value.

9 Tangible fixed assets

The Group	Reference Collection £'000	Freehold land and buildings £'000	Fixtures, fittings, tools and equipment £'000	Vehicles, Plant and machinery £'000	Total £'000
Cost					
Acquisitions	279	709	1,113	1,122	3,223
Additions	11	-	8	112	131
Disposals	-	(65)	-	-	(65)
At 31 December 2000	**290**	**644**	**1,121**	**1,234**	**3,289**
Accumulated depreciation					
Accumulated depreciation on assets acquired	7	-	1,015	568	1,590
Charge for the year	7	-	6	110	123
At 31 December 2000	**14**	**-**	**1,021**	**678**	**1,713**
Net book value					
At 31 December 2000	**276**	**644**	**100**	**556**	**1,576**
At 31 December 1999	-	-	-	-	-

The net book value of vehicles, plant and machinery includes £158,576 (1999: £nil) in respect of assets held under finance leases. The depreciation charge for the year in respect of leased assets amounted to £26,000.

10 Fixed Asset Investments

The Group	31 December 2000 £'000
Investments at cost	
Proflowers Inc. (formerly Flower Farm Direct Inc)	**223**

Collector Café Limited holds 671,101 ordinary $0.001 shares in the above company representing a 2% fully diluted holding. The market value of the investment at 31 December 2000 was £222,558.

The Company			31 December 2000 £'000
Investments in subsidiary undertakings at cost			
Collector Café Limited	100	ordinary £1 shares	**5,811**

Interests in principal Group undertakings

The principal subsidiary undertakings of the company, all of which are 100% owned are as follows:

Name:	Country of incorporation	Description of shares held	Principal activity
Collector Café Limited	Jersey	Ordinary £1 shares	Community internet portal
Stanley Gibbons Holdings PLC	England	Ordinary £0.25 shares	Holding company
Stanley Gibbons Limited	England	Ordinary £1 shares	Philatelic dealer and retailer, and dealer in memorabilia

11 Stocks

	The Group 31 December 2000 £'000	The Company 31 December 2000 and 1999 £'000
Raw materials and consumables	**23**	-
Work in progress	**54**	-
Finished goods and goods for resale	**4,906**	-
	4,983	-

The nature of the stock held by the Group is such that replacement cost cannot be readily ascertained. The Directors believe, however, that stock could be replaced for an amount not materially different from the carrying value.

12 Debtors

	The Group 31 December 2000 £'000	The Company 31 December 2000 £'000
Amounts falling due within one year		
Trade debtors	**992**	-
Other debtors	**268**	-
Prepayments and accrued income	**148**	-
Amounts owed by Group undertakings (see note below)	**-**	750
ACT recoverable	**30**	-
	1,438	750
Amounts falling due after more than one year		
Pension prepayment (see note 26)	**303**	-
	1,741	750

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.
As at 31 December 1999, the Group and Company had other debtors of £9.

13 Creditors: amounts falling due within one year

	The Group 31 December 2000 £'000	The Company 31 December 2000 and 1999 £'000
Bank overdraft (see note below)	195	-
Trade creditors	1,135	-
Other creditors	127	-
Other taxes and social security	127	-
Accruals and deferred income	503	-
Deferred consideration (see note 17)	175	-
Finance leases (see note 25)	91	-
ACT payable	19	-
	2,372	-

Barclays Bank PLC has a right to full set off between all companies within the Communitie.com Group. The Group has an overdraft facility of £1,300,000 that was granted in July 2000. This facility is due for review in July 2001.

The Group's overdraft facilities are secured by registered land charges over the Group's freehold properties and cross-guarantees together with debentures from the UK companies within the Group which embraces the stamp stock. The overdraft must at all times be covered by four times current assets, (see note 27).

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

14 Creditors: amounts falling due after more than one year

	The Group 31 December 2000 £'000	The Company 31 December 2000 and 1999 £'000
Loan notes (see below)	94	-
Finance leases (see note 25)	56	-
Eagle Star Endowment Mortgage	55	-
Deferred consideration (see note 17)	175	-
		-
	380	-

The loan notes repayments are due as follows:

	31 December 2000 £'000
In more than five years	94

The loan notes are redeemable in full or in part, after giving one month's notice by the lender. Interest is payable half yearly by installments at National Westminster Bank PLC's Base Rate. The loan notes are due for redemption on 29 February 2006.

The finance lease creditor is secured on the specific assets that are being purchased under such contracts.

14 Creditors: amounts falling due after more than one year (continued)

The Eagle Star Endowment Mortgage is secured on one of the company's freehold properties. The mortgage is payable in full on 30 October 2112 but can be redeemed early upon six months notice.
Interest is charged at 11.25% reducing to 10.25% on punctual repayment.

15 Provision for liabilities and charges

Deferred tax

	Provided 31 December 2000 £'000	Unprovided 31 December 2000 £'000
Accelerated capital allowances	-	(21)
Pension prepayment	-	91
Trading losses	-	(70)
	-	-

The Directors have made no provision for deferred tax as they do not believe there is a material liability which will crystallise in the foreseeable future. The amounts unprovided are calculated using a tax rate of 30%.

16 Called up share capital

	31 December 2000 £'000	31 December 1999 £
Authorised		
35,000,000 ordinary shares of 1p each (1999: 5,000 ordinary shares of £1 each)	**350**	5,000
Allotted, called up and fully paid		
26,887,655 ordinary shares of 1p each (1999: 9 ordinary shares of £1 each)	**269**	9

At incorporation, the authorised share capital of the Company was £5,000 divided into 5,000 ordinary shares of £1 each of which 9 such ordinary shares were issued to the subscribers of the memorandum of association.

Immediately prior to an extraordinary meeting of the Company held on 16 August 2000 the issued share capital of the Company was 9 shares of £1 each, fully paid.

By resolution at the EGM the members resolved, inter alia:

(i) That the authorised share capital of the Company be reduced to £9 by cancelling the unissued authorised share capital in the Company being 4,991 ordinary shares of £1 each.

(ii) That the remaining 9 issued ordinary shares of £1 each be sub-divided into 900 ordinary shares of 1p each.

(iii) That the Company's authorised share capital be increased from £9 to £350,000 by the creation of 34,999,100 ordinary 1p shares which are unissued and to rank pari passu with the 900 issued shares.

(iv) That pursuant to Article 16 of the Companies (Jersey) Law 1991 that the Company become a public company, with its name to remain unchanged.

On 18 September 2000, 26,886,755 'A' redeemable shares were created by Flying Brands Limited and issued as part of a capital reconstruction with a nominal value of £7,161,000. The shares were issued to Flying Brands Limited shareholders on the basis of one 'A' redeemable share for each ordinary share of 1p each held in Flying Brands Limited. These shares of a nominal value of £269,000 were immediately redeemed on the same day in consideration for £7,161,000, whereby all shareholders of Flying Brands Limited received one Communitie.com Limited share for each 'A' redeemable share held.

16 Called up share capital (continued)

Options in shares of Communitie.com Limited

In addition to the Directors' share options disclosed in the Directors' Report detailed below are options which have been granted to employees together with the periods in which they may be exercised:

Date of grant	Earliest Exercise date	Expiry date	Exercise Price (1p shares)	Granted In year	Exercised in year	Number at 31 Dec 2000
27/11/00	27/11/03	27/11/10	18p	535,000	-	535,000

17 Goodwill on acquisition

On 1 December 2000 the Group acquired the business of EHW & Co as a going concern (together with certain assets, namely the entire stock) for a total consideration of £750,000. Acquisition costs were not material.

The purchase consideration was attributed as detailed in the sale and purchase agreement as follows:

	£'000
Stock	550
Goodwill (see note 18)	200
Purchase consideration	750
Satisfied by:	
Cash	400
Deferred consideration	350
	750

No reliable book value was readily available for stock at the date of acquisition and is stated at fair value based on the element of the purchase price attributable to stock based on the expert opinion of the Group's stamp dealers. The fair value of stock is provisional and will be finalised in the 2001 financial statements when the detailed valuation is completed.

The deferred consideration is payable in two equal instalments of £175,000, to be paid on the first and second anniversaries of Completion.

18 Goodwill

	31 December 2000 £'000
Cost	
Additions – EHW & Co.	200
Additions – Collector Café Limited	296
At 31 December 2000	**496**
Amortisation/Amounts written off	
Impairment losses	496
At 31 December 2000	**496**
Net book value	
At 31 December 2000	**-**
At 31 December 1999	**-**

18 Goodwill (continued)

Goodwill of £200,000 arose on the acquisition of EHW & Co on 1 December 2000. An impairment review of the goodwill was conducted which highlighted that the future revenue streams and expected cash flows do not support its value. As a result, the full value of goodwill acquired has been written off at 31 December 2000.

Collector Cafe Limited was acquired on 16 August 2000 in preparation for the subsequent demerger of Communitie.com from Flying Brands Limited on 18 September 2000. The consideration for the acquisition was determined using an estimate of the fair value of the net asset value of Collector Café Limited at 30 June 2000. This was required so that the demerger scheme could be ratified by the Court and shareholders of Flying Brands Limited. At the date of the acquisition (16 August) the fair value of net assets of Collector Café Limited had changed due to losses incurred by it during the period from 1 July 2000 to 16 August 2000, leading to goodwill of £296,000, being the difference between the consideration and the fair value of net assets at the acquisition date. FRS10 requires that goodwill be capitalised and amortised over its estimate useful life. The Directors believe that due to the losses incurred by Collector Café Limited, the goodwill has been immediately impaired and therefore it has been fully written off as at 31 December 2000.

19 Share premium and reserves

The Group	Share premium account £'000	Profit and Loss account £'000	Total £'000
At 1 January 2000	-	-	-
Premium on share capital issued on demerger	6,892	-	6,892
Issue costs	(600)	-	(600)
Loss for the period	-	(604)	(604)
At 31 December 2000	**6,292**	**(604)**	**5,688**

The Company	Share premium account £'000	Profit and Loss account £'000	Total £'000
At 1 January 2000	-	-	-
Premium on share capital issued on demerger	6,892	-	6,892
Issue costs	(600)	-	(600)
At 31 December 2000	**6,292**	**-**	**6,292**

20 Reconciliation of movements in equity shareholders' funds

	31 December 2000 £'000
Opening equity shareholders funds	**-**
Loss for the period	**(604)**
Demerger from Flying Brands Limited (see note 21)	**7,161**
Issue costs	**(600)**
Closing equity shareholders' funds	**5,957**

21 Acquisition of Collector Café Limited and demerger from Flying Brands Limited

On 16 August 2000, Communitie.com Limited acquired the entire issued share capital of Collector Café Limited for a total consideration of £5,811,000. Communitie.com Limited was demerged from Flying Brands Limited on 18 September 2000.

The balance sheet at the date of acquisition was:

	16 August 2000 £'000
Fixed Assets	
Tangible Fixed Assets	1,633
Fixed asset Investments	223
	1,856
Stocks	4,726
Debtors	1,266
	5,992
Creditors	(2,333)
Net Assets	5,515
Goodwill (see note 18)	296
Consideration	5,811

The consideration was satisfied by cash and was left outstanding in an intercompany loan with Flying Brands Limited.

On 18 September 2000, Communitie.com Limited demerged from Flying Brands Limited. The outstanding balance on the intercompany loan on 18 September 2000, after a cash advance of £1,350,000 was £7,161,000 and was satisfied by the issue of ordinary shares in Communitie.com Limited.

The book value of the assets and liabilities, which are not materially different from the fair values, have been taken from the management accounts of Collector Café Limited at 16 August 2000.

Stanley Gibbons Holdings PLC made a profit after tax of £182,000 in the year ended 31 December 1999 and a loss after tax in the period from 1 January 2000 to the date of acquisition of £465,000 as detailed below:

	1 January 2000 to 16 August 2000 £'000
Turnover	4,833
Operating loss	(557)
Interest	(28)
Loss on ordinary activities before taxation	(585)
Taxation	120
Loss after taxation	(465)

Analysis of net inflow of cash in respect of the acquisition and demerger:

	£'000
Cash settlement from Flying Brands on demerger	1,350
Acquired bank overdraft	(544)
	806
Costs	(499)
	307

22 Reconciliation of operating loss to net cash inflow from operating activities

	Year ended 31 December 2000 £'000
Operating loss	(657)
Depreciation	123
Decrease in stocks	293
Increase in debtors	(456)
Increase in creditors	336
Goodwill impairment	496
Net cash inflow from operating activities	**135**

23 Reconciliation of net cash flow to movement in net debt

	Year ended 31 December 2000 £'000
Decrease in cash in the year	(9)
Net debt on acquisition	(334)
Cash outflow from reduction in debt and lease financing	38
Change in net debt resulting from cash flows	(305)
Net debt at 1 January 2000	-
Net debt at 31 December 2000	**(305)**

24 Analysis of changes in net debt

	At 1 January 2000 £'000	Acquisitions £'000	Cash Flows £'000	At 31 December 2000 £'000
Cash in hand, at bank less bank overdraft	-	806	(815)	(9)
Debt due after 1 year	-	(149)	-	(149)
Finance Leases	-	(185)	38	(147)
Total	**-**	**472**	**(777)**	**(305)**

25 Capital and other commitments

Group	31 December 2000 Computer Equipment £'000
Capital commitments	
Authorised and contracted for	50

Lease commitments

Group	31 December 2000 £'000
Obligations under finance leases and hire purchase contracts are due as follows:	
In one year or less	91
Between two and five years	56
	147

At 31 December 2000 the Group had annual commitments under non-cancellable operating leases as follows:

Date of lease termination:	Land and Buildings 31 December 2000 £'000
In five years or more	300

There were no capital or lease commitments relevant to the Company at 31 December 2000.

26 Pension and similar obligations

The Stanley Gibbons Group of companies (incorporating Stanley Gibbons Holdings PLC and its wholly owned subsidiaries) operates the Stanley Gibbons Holdings PLC Pension and Assurance Scheme ('the Scheme') to which the employer and certain employees contribute. All employer costs are borne by Stanley Gibbons Holdings PLC. The scheme is a defined benefit scheme. The assets of the scheme are held under the provisions of a trust deed and are invested in UK Government stocks and unitised equity funds managed by two UK institutions. Contributions to the scheme are charged to the profit and loss account so as to spread the pensions cost over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method.

The assumptions which have the most significant effect on the pension contributions are those relating to the rate of return on investments, the rate of increase in salaries and the rate of dividend growth. It is assumed that the rate of return would be 8.5% per annum, that salary increases would average 7% per annum and that dividends would yield 3.25% per annum.

In accordance with the Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs', the pension scheme surplus as at 1 July 1988 of £376,000 was recognised in the accounts for the year ended 30 June 1989 by setting up a pension prepayment which is being written off to the profit and loss account over the average remaining service lives of the current members.

26 Pension and similar obligations (continued)

The most recent valuation at 1 July 2000 carried out on the basis of minimum funding requirement, disclosed an actuarial surplus of £1,380,000. The valuation showed that the market value of the scheme's assets was £5,206,000 and the market value of these assets represented 122% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The net surplus of £305,000, over and above the unamortised pension prepayment, at the date of the most recent valuation is being spread over the average remaining service lives of the current members based on a calculation by the actuaries.

The regular employers' pension contribution cost for the year ended 31 December 2000 of £64,395 has been reduced by interest of £25,914 accrued on the pension scheme surplus and £36,132 amortisation relating to the net surplus arising from the most recent valuation, resulting in a net profit and loss account charge of £2,349. The liabilities include an allowance for the "Barber judgement" of around £65,000.

The costs of insurance of the death-in-service benefits and certain administration expenses are paid for by the scheme.

27 Contingent liabilities

This company together with all other companies within the Group has given unlimited guarantees to Barclays Bank PLC in respect of facilities provided to the Group (see note 13).

28 Financial instruments

The Group policy is currently that no trading in financial instruments will be undertaken. The Group's financial instruments comprise loans, an overdraft, cash and liquid resources, and various items such as trade debtors and trade creditors which arise directly from operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group's policies and procedures in managing these risks are detailed in the Financial Review on page 6.

Short term debtors and creditors

As permitted under FRS13 short term debtors and creditors have been excluded.

Interest rate risk

The Group finances its operations through the generation of cash from operating activities with a bank overdraft facility of £1,300,000 available to finance new business development. The overdraft facility attracts interest at 2% over the Barclays Bank Base Rate up to £850,000 with a further 0.25% on any overdraft in excess of this. Interest on other borrowing facilities are insignificant. The effects of interest rate fluctuations are not considered a significant risk at the current borrowing levels.

28 Financial instruments (continued)

The interest rate exposure of the financial liabilities of the Group as at 31 December 2000 was:

	Interest rate		
	Fixed	Floating	Total
As at 31 December 2000	£'000	£'000	£'000
Hire purchase and finance lease liabilities	147	-	147
Eagle Star Endownment Mortgage	55	-	55
Bank overdraft and loan notes	-	289	289
	202	**289**	**491**

	Fixed rate financial liabilities	
	Weighted average fixed interest rate %	Weighted average period for which rate is fixed in years
As at 31 December 2000		
Hire purchase and finance lease liabilities	11.65	3
Eagle Star Endownment Mortgage	11.25	111
	11.30	108

Liquidity risk

The Group ensures short term flexibility through the use of the overdraft facilities. The Board does not at present consider that it is necessary to adopt a detailed borrowings policy as there are sufficient funds available within the current facilities

Financial assets and liabilities

The Group has no financial assets other than debtors and cash at bank.

The bank overdraft is repayable on demand and is included in the balance sheet as a creditor due in less than one year.

The balance sheet values for financial assets and liabilities are not considered materially different to the fair values.

29 Related party transactions

Internet development services were provided at a cost of £85,000 by a company in which Mr S Feigen is a Director during the period from 16 August 2000 to 31 December 2000.

The company owes loan notes totalling £94,000 to the minor children of the Chairman, Mr P Fraser, (see note 14).

Company secretarial services were provided by the Group to Flying Brands Limited for a total consideration of £7,000. Information technology services were provided by Flying Brands Limited for a cost of less than £5,000.

The Group continue to trade with The Benham Group, a subsidiary of Flying Brands Limited in the normal course of business. All business is conducted under arms length transactions.

Communitie.com Limited

Proforma Consolidated Profit and Loss Account

		Proforma Year ended 31 December 2000 £'000		Proforma Year ended 31 December 1999 £'000
Turnover		**8,017**		8,944
Cost of sales		**(3,554)**		(3,973)
Gross profit		**4,463**		4,971
Administration expenses		**(1,115)**		(925)
Selling and distribution expenses		**(3,987)**		(3,911)
Impairment of Goodwill		**(200)**		-
Exceptional operating costs		**(79)**		-
Operating (loss)/profit		**(918)**		135
Operating (loss)/profit before exceptional operating costs and impairment of goodwill	**(639)**		135	
Impairment of goodwill	**(200)**		-	
Exceptional operating costs	**(79)**		-	
Profit on sale of property		**52**		85
Interest receivable and similar income		**14**		7
Interest payable and similar charges		**(41)**		(61)
(Loss)/profit on ordinary activities before taxation		**(893)**		166
Tax on (loss)/profit on ordinary activities		**120**		16
(Loss)/profit for the financial year		**(773)**		182

This proforma profit and loss account has been extracted from the audited consolidated accounts of Stanley Gibbons Holdings PLC, the holding company of the trading activities of the Communitie.com Group. The proforma statement is included for information purposes only.